

City of
Fayetteville
North Carolina

Comprehensive Annual
**Financial
Report**



City of Fayetteville, North Carolina
Fiscal Year Ended June 30, 2014

2014



2014

Prepared by the City of Fayetteville Finance Department

Lisa T. Smith, *Chief Financial Officer*
Elizabeth H. Somerindyke, *Internal Auditor*
Tracey L. Broyles, *Budget and Evaluation Manager*
David G. Webb, *Accounting Manager*
Nancy A. Peters, *Accounts Payable Supervisor*
Victoria V. Patterson, *Payroll and Liabilities Manager*

Jason D. Briggs
Kelly T. Culbreth

Brenda J. Powell
Rose B. Rasmussen

Patricia A. Best
Karolin M. Bridgeman
Traci Y. Carraway
Johniece C. Gibson
Lurie S. Graham
Jacqueline Green

Shirley A. Johnson
Sharon Mayo
Stephanie A. Pope
Christine A. Pressley
Diane M. Travis
Deanna M. Wiuff

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

<u>INTRODUCTORY SECTION (UNAUDITED):</u>	<u>Page</u>
Letter of Transmittal	A-1
GFOA Certificate of Achievement	A-11
List of Principal Officials	A-13
Organization Chart	A-15
 <u>FINANCIAL SECTION</u>	
REPORT OF INDEPENDENT AUDITOR	B-1
MANAGEMENT’S DISCUSSION AND ANALYSIS	C-1
 BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	D-1
Statement of Activities	D-2
 FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	E-1
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	E-2
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	E-4
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	E-5
Statement of Net Position – Proprietary Funds	E-6
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	E-7
Statement of Cash Flows – Proprietary Funds	E-8
Statement of Fiduciary Net Position – Fiduciary Funds	E-10
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	E-11
 NOTES TO FINANCIAL STATEMENTS	 F-1
 REQUIRED SUPPLEMENTARY INFORMATION	
Law Enforcement Officers’ Special Separation Allowance – Schedule of Funding Progress	G-1
Law Enforcement Officers’ Special Separation Allowance – Schedule of Employer Contributions	G-2
Law Enforcement Officers’ Special Separation Allowance – Notes to the Required Schedules	G-2

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

<u>FINANCIAL SECTION</u>	<u>Page</u>
BASIC FINANCIAL STATEMENTS (continued)	
REQUIRED SUPPLEMENTARY INFORMATION (continued)	
Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Funding Progress	G-3
Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Employer Contributions	G-4
Other Post Employment Benefit Retiree Healthcare Plan – Notes to the Required Schedules	G-4
Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Funding Progress	G-5
Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan – Schedule of Employer Contributions	G-6
Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan – Notes to the Required Schedules	G-6
SUPPLEMENTARY INFORMATION	
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
GOVERNMENTAL FUNDS	
GENERAL FUND	
Comparative Balance Sheets - General Fund	H-1
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	H-2
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet – Nonmajor Governmental Funds	I-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	I-2
SPECIAL REVENUE FUNDS	
Combining Balance Sheet – Nonmajor Special Revenue Funds	J-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	J-2
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Emergency Telephone System Fund	J-3
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Federal and State Financial Assistance Fund	J-4
Schedule of Expenditures By Project - Budget and Actual - Federal and State Financial Assistance Fund	J-5
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – City of Fayetteville Finance Corporation Fund	J-6
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Linear Park Fund	J-7

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

CAPITAL PROJECT FUNDS	<u>Page</u>
Combining Balance Sheet – Nonmajor Capital Project Funds	K-1
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds	K-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Government Fund	K-3
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Public Safety Fund	K-4
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Transportation Fund	K-5
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Economic and Physical Development Fund	K-6
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Recreational and Cultural Fund	K-7
 PROPRIETARY FUNDS	
ENTERPRISE FUNDS	
Combining Schedule of Net Position – Electric Fund	L-1
Combining Schedule of Revenues, Expenses and Changes in Net Position – Electric Fund	L-2
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Electric Fund	L-3
Schedule of Changes in the Status of Electric Rate Stabilization Fund	L-6
Schedule of Changes in the Status of Series 2014 Electric Connect Revenue Bond – Capital Project Fund	L-7
Schedule of Changes in the Status of Series 2014 LED Lighting Revenue Bond – Capital Project Fund	L-8
Combining Schedule of Net Position – Water and Wastewater Fund	L-9
Combining Schedule of Revenues, Expenses and Changes in Net Position – Water and Wastewater Fund	L-11
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Water and Wastewater Fund	L-12
Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund	L-16
Schedule of Changes in the Status of Annexation Phase V Reserve Fund	L-17
Schedule of Changes in the Status of Annexation Phase V – Areas 8 through 13 - Capital Project Fund	L-18
Schedule of Changes in the Status of Annexation Phase V – Areas 14 through 15 - Capital Project Fund	L-19
Schedule of Changes in the Status of 2012 Edgewater/Northview State Revolving Loan - Capital Project Fund	L-20
Schedule of Changes in the Status of 2012 Water Treatment Facility Clearwell and Chemical Improvement State Revolving Loan - Capital Project Fund	L-21
Schedule of Changes in the Status of 2013 Outfall Rehabilitation State Revolving Loan - Capital Project Fund	L-22

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

ENTERPRISE FUNDS (Continued)	<u>Page</u>
Schedule of Changes in the Status of Series 2014 Water Connect Revenue Bond – Capital Project Fund	L-23
Schedule of Changes in the Status of Series 2014 Water and Wastewater Revenue Bond – Capital Project Fund	L-24
Schedule of Changes in the Status of 2014 Person Street Sanitary Sewer Replacement State Revolving Loan – Capital Project Fund	L-25
Schedule of Changes in the Status of 2013 PO Hoffer Phase 1 State Revolving Loan – Capital Project Fund	L-26
Schedule of Changes in the Status of Annexation Phase V Areas 16 through 17 – Capital Project Fund	L-27
Balance Sheet – Storm Water Management Fund	L-28
Statement of Revenues, Expenses and Changes in Net Position – Storm Water Management Fund	L-29
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Storm Water Management Fund	L-30
Schedule of Changes in the Status of Storm Water Management Capital Project Fund	L-31
Combining Balance Sheet – Nonmajor Enterprise Funds	L-32
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds	L-33
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	L-34
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Transit Fund	L-36
Schedule of Changes in the Status of Transit Capital Project Fund	L-37
Schedule of Changes in the Status of Transit II Capital Project Fund	L-38
Schedule of Expenditures by Project – Transit II Capital Project Fund	L-39
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Airport Fund	L-40
Schedule of Changes in the Status of Airport Capital Project Fund	L-41
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Environmental Services Fund	L-42
Schedule of Changes in the Status of Environmental Services Capital Project Fund	L-43
 INTERNAL SERVICE FUNDS	
Combining Balance Sheet – Internal Service Funds	M-1
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	M-2
Combining Statement of Cash Flows – Internal Service Funds	M-3
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – Insurance Fund	M-4
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) – PWC Fleet Maintenance Fund	M-5

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

FIDUCIARY FUNDS	<u>Page</u>
TRUST FUNDS	
Statement of Fiduciary Net Position – Pension Trust Fund	N-1
Statement of Changes in Fiduciary Net Position – Pension Trust Fund	N-2
Combining Statement of Fiduciary Net Position – Private-purpose Trust Funds	N-3
Combining Statement of Changes in Fiduciary Net Position – Private-purpose Trust Funds	N-4
<u>OTHER SUPPLEMENTAL FINANCIAL DATA</u>	
Schedule of Current Tax Levy	O-1
Schedule of Taxes Receivable	O-2
Emergency Telephone System Unspent Fund PSAP Reconciliation	O-3
<u>STATISTICAL SECTION (UNAUDITED):</u>	
Net Position by Component	P-1
Changes in Net Position	P-2
Fund Balances of Governmental Funds	P-5
Changes in Fund Balances, Governmental Funds	P-6
Tax Revenues by Source, Governmental Funds	P-7
Revenue Base by Customer Class – Charges for Services – Electric Kilowatt Hours Sold	P-8
Assessed Value and Actual Value of Taxable Property	P-9
Direct and Overlapping Property Tax Rates	P-10
Principal Property Taxpayers	P-11
Property Tax Levies and Collections	P-12
Ratios of Outstanding Debt by Type	P-13
Ratios of General Bonded Debt Outstanding	P-14
Direct and Overlapping Governmental Activities Debt	P-15
Legal Debt Margin Information	P-16
Pledged Revenue Coverage – Utility	P-17
Pledged Revenue Coverage – Storm Water	P-18
Demographic and Economic Statistics	P-19
Principal Employers	P-20
Full-time City Government Employees by Function	P-21
Operating Indicators by Function/Program	P-22
Capital Assets Statistics by Function	P-25

City of Fayetteville, North Carolina
TABLE OF CONTENTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

<u>OMB CIRCULAR A-133 AND STATE SINGLE AUDIT IMPLEMENTATION ACT COMPLIANCE SECTION</u>	<u>Page</u>
Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Q-1
Report of Independent Auditor on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	Q-3
Report of Independent Auditor on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	Q-5
Schedule of Findings and Questioned Costs	Q-7
Corrective Action Plan	Q-14
Summary Schedule of Prior Audit Findings	Q-15
Schedule of Expenditures of Federal and State Awards	Q-16
 <u>PASSENGER FACILITY CHARGE COMPLIANCE SECTION</u>	
Report of Independent Auditor on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide	R-1
Schedule of Findings and Questioned Costs	R-3
Summary Schedule of Prior Audit Findings	R-4
Schedule of Expenditures of Passenger Facility Charges	R-5



2014

Introductory Section

- Transmittal Letter
- Certificate of Achievement for Excellence in Financial Reporting
- List of Principal Officials
- Organizational Chart



CITY MANAGER'S OFFICE

November 6, 2014

The Honorable Mayor,
Members of the City Council and Citizens
City of Fayetteville
Fayetteville, North Carolina

Dear Mayor, Members of the City Council, and Citizens:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Fayetteville, North Carolina for the fiscal year ended June 30, 2014. State law requires that every local government publish a complete set of audited financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. This report complies with these requirements.

The CAFR consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect City assets and to compile information for the preparation of the City's financial statements in conformity with GAAP. The cost of internal controls should not outweigh their benefits; therefore, the internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Cherry Bekaert LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Fayetteville's financial statements for the fiscal year ended June 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

433 Hay Street
Fayetteville, NC 28301-5537
(910) 433-1990 | (910) 433-1948 Fax
www.cityoffayetteville.org

The City of Fayetteville, North Carolina does not discriminate on the basis of race, sex, color, age, national origin, religion, or disability in its employment opportunities, programs, services, or activities.

PROFILE OF THE CITY

Fayetteville is a thriving community located in the Sandhills region of southeastern North Carolina and is the seat of Cumberland County. The City is approximately 60 miles south of the State capital of Raleigh. Fayetteville is located adjacent to Interstate Highway 95, a major north-south corridor linking the City with New York to the north and Miami to the south.

Fayetteville has been recognized three times as an “All-America City” by the National Civic League and is known as a community of “History, Heroes and a Hometown Feeling”. In 2012, Fayetteville celebrated the 250th anniversary of its founding. In 1762, the town of Campbellton, located on the Cape Fear River, was chartered by the colonial assembly. In 1778, Campbellton united with the neighboring town of Cross Creek to become Upper and Lower Campbellton. In 1783, the North Carolina General Assembly approved the town’s official renaming to Fayetteville in honor of the Marquis de Lafayette, the French nobleman who served as a Major General in the Continental Army during the Revolutionary War.

Fort Bragg Army Base, one of the largest military complexes in the world, is located approximately 10 miles from the City’s downtown and significantly adds to the culture of the community and the local economy. Fort Bragg has traditionally been known as the home of the Army’s XVIII Airborne Corps and the 82nd Airborne Division, as well as the U.S. Army Special Operations Command and 3rd Special Forces Group. In 2011, Fort Bragg also became the headquarters for the Army’s combat-ready conventional forces and army reserve following the move of U.S. Army Forces Command (FORSCOM) and U.S. Army Reserve Command (USARC) to the base. The base also encompasses Pope Army Air Field, formerly Pope Air Force Base, which provides fixed wing aviation assets required to support Fort Bragg’s missions. The Air Force has proposed deactivation of the 440th Airlift Wing in its proposed budget for 2015. Local leaders and elected officials are working to reverse the Air Force’s proposal citing adverse impacts to the readiness of Fort Bragg units.

Fayetteville is the sixth largest municipality in the State with a population estimated at 210,468, and encompassing 149.48 square miles as of June 30, 2014. The City’s population increased by 65.7% or 79,549 residents between the U.S. Census counts conducted in 2000 and 2010. Much of the population growth resulted from the City’s statutory authority to extend its corporate limits through annexation. In September 2005, the City completed an annexation, referred to as “Phase V”, of approximately 42,000 residents and 27 square miles. Most recently, the North Carolina General Assembly approved legislation to annex portions of Fort Bragg into the City effective September 1, 2008. This annexation added approximately 26,000 residents and 54 square miles to the City.

The City has a council-manager form of government. Nine members of the City Council are elected from districts and the Mayor is elected at large. Each of the Council Members and the Mayor serve two-year concurrent terms. The City Council has policy making and legislative authority. The Council is responsible for the approval of the budget and appointment of the City Manager, City Attorney, Public Works Commission (PWC) and members of other City boards, committees and commissions. The City Manager is responsible for implementing Council policies and City ordinances, managing daily operations and appointing department directors.

The City provides its citizens with a full range of services, including police and fire protection, solid waste and recycling services, the construction and maintenance of streets, curbs, gutters, sidewalks, stormwater drainage systems and other infrastructure, recreation and cultural activities, fixed-route and demand-response transit service, airport service, and electric, water and wastewater utilities. This report includes all of the City's activities in delivering and administering these services.

The Council is required to adopt a budget by July 1st of each year. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City's budget ordinance creates a legal limit on spending authorizations, and serves as the foundation for Fayetteville's financial planning and control. The annual budget is authorized at the portfolio level in the General Fund, in operating, capital and transfer expenditure categories for the Electric, Water and Wastewater Funds, and at the fund level for the Storm Water Management Fund and all other funds.

LOCAL ECONOMY

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The economy of Fayetteville is greatly stabilized by the presence of Fort Bragg Army Base. Approximately 51,000 uniformed soldiers and airmen are stationed at Fort Bragg, with support from an estimated 23,000 civilian employees and contractors. The direct impact of payroll alone for military and civilian personnel added over \$3.6 billion to the regional economy in federal fiscal year 2013.

Budget reductions mandated by sequestration in 2013 and a 16-day federal government shutdown impacted the local area since approximately 40% of the Fayetteville area economy is related to the military. Budget cuts resulted in a 20% cut in paychecks for approximately 8,500 Department of Defense civilian workers at Fort Bragg for about six weeks during the summer of 2013. Approximately 7,200 civilian workers at Fort Bragg were furloughed in October 2013.

In addition to Fort Bragg, substantial employment is also offered in the government sector through the public school system, community college and universities, and county and city governments. Other major employers in the area include the Cape Fear Valley Health System, manufacturers such as the Goodyear Tire & Rubber Company, which has one of the largest tire producing factories in the world, and Mann+Hummel Purolator Filters which produces auto filters, and Wal-Mart through its distribution center and retail outlets.

Significant investment to modernize plant equipment has been made at the Fayetteville Goodyear plant since 2007 with the State of North Carolina, Cumberland County and the City committing to economic incentives for the investment and job retention. In August, 2013, a master labor contract was ratified which protects the plant from closure during its four year term. The plant employs approximately 2,500 people, making it one of the Cape Fear region's largest private employers.

During the past five years, Fayetteville’s annual unemployment rates have ranged from a low of 6.6% to a high of 7.5%, according to the Labor and Economic Analysis Division of the North Carolina Department of Commerce. In August 2014, the unemployment rates for Fayetteville, North Carolina and the United States were 6.4%, 7.0% and 6.3%, respectively. Historical unemployment rates for Fayetteville, North Carolina and the United States are provided in the table below.

Unemployment Rates*			
Year	Fayetteville	North Carolina	United States
2013	6.6	8.0	7.4
2012	7.1	9.2	8.1
2011	7.5	10.2	9.0
2010	7.2	10.8	9.6
2009	6.7	10.4	9.3
* Source of unemployment data is the Labor and Economic Analysis Division of the North Carolina Department of Commerce			

Per capita personal income in Cumberland County grew 1.9% percent between 2011 and 2012 to \$45,590, as compared to nation-wide (\$44,200, up 4.4%) and state-wide (\$37,910, up 3.8%) statistics for the same period. Growth in compensation for military and federal civilian workers has helped to fuel local per capita income growth over the past decade.

During fiscal year 2014, the City issued building permits for 454 new residential units valued at \$69.3 million, and 51 new commercial building permits valued at \$114.3 million, as compared to permits issued for 1,485 new residential units valued at \$127.8 million and 71 new commercial buildings valued at \$57.3 million in fiscal year 2013.

The City is a major regional trade center in eastern North Carolina, with a significant number and variety of shopping plazas, centers and independent retailers. Evidence of the strong retail sector is reflected by one of the largest shopping areas of the Carolinas, a two-square mile area located within the city. Cross Creek Mall, the anchor of the shopping district, has more than one million square feet of floor space and four major department stores. Notably, an additional 46,000 square feet of retail and restaurant space was added to the mall during fiscal year 2014.

Taxable sales in Cumberland County for fiscal year 2014 totaled approximately \$3.51 billion, which represented a 1.4% decrease over fiscal year 2013. Historical sales for Cumberland County are provided in the following table.

Retail /Taxable Sales		
Fiscal Year	Cumberland County	% Change
2014	\$3,509,005,624	(1.4)
2013	\$3,558,501,388	0.8
2012	3,531,570,536	4.6
2011	3,375,817,327	4.2
2010	3,240,731,656	13.9

While Fayetteville's economy is stable, the local economy was impacted by the federal budget cuts in calendar year 2013. In 2013, the Milken Institute ranked the Fayetteville metropolitan statistical area (MSA) as the 82nd best-performing of the 200 largest metropolitan areas based upon comparisons of job, wage and salary and technology growth. In 2014, the Policom Corporation ranked the Fayetteville MSA as having the 92nd strongest economy of the 381 MSAs nationwide.

The City Council adopted a fiscal year 2014 budget based on modest rates of growth in the ad valorem tax base and taxable sales, as well as a one-time revenue increase resulting from the four-month overlap in the collection of motor vehicle taxes due to the implementation of the Tax and Tag Together Program. Fayetteville's strong strategic planning process and conservative fiscal management continue to allow the City to maintain a high priority on both the delivery of quality services and financial stability.

LONG-TERM FINANCIAL PLANNING and MAJOR INITIATIVES

The City's long-term vision is evident in Fayetteville's strong commitment to neighborhoods, enhancing the local economy, maintaining a vibrant downtown and major corridors, increasing leisure opportunities for its citizens, its diverse culture, rich heritage, and partnership with engaged citizens that have confidence in their local government.

The City Council has committed to key goals and an action agenda consistent with Fayetteville's vision. These goals and targets for action are discussed in the City's strategic plan on the City's website at www.cityoffayetteville.org.

In June 2011, City Council adopted a fund balance policy that establishes a minimum General Fund unassigned fund balance of at least 10% of the succeeding year's General Fund expenditure budget, excluding the budget for Cumberland County's recreation programs. The purpose of the policy is to maintain sufficient resources in the General Fund to cover unexpected expenditures and revenue shortfalls. In addition, the City's practice has been to appropriate fund balance for one-time expenditures or significant capital needs. These goals were achieved in fiscal year 2014 and were used to develop the fiscal year 2015 operating budget. Unassigned fund balance in the General Fund was \$19.4 million or 12.8 percent of the original fiscal year 2015 General Fund budget, excluding the county recreation programs; and therefore, exceeded the 10 percent minimum established by City Council.

Annually, the City adopts a six-year capital improvement program (CIP) for its electric, water and wastewater utility funds and a five-year CIP for other functions such as public safety, parks, transportation, stormwater system, airport and transit. The City also prepares a five-year financial forecast for its General Fund approximately every three to five years. The purpose of the forecast is to enhance the City's financial planning process. The forecast incorporates the Council-adopted strategic plan, five-year capital improvement plan, capital funding plan, and adopted budget.

Consistent with its capital funding policy, in fiscal year 2014 the City dedicated an amount equivalent to 5.65 cents of the 45.6-cent ad valorem tax rate, as well as specifically earmarked revenues, for the repayment of principal and interest on installment financing agreements for facilities and equipment and general obligation debt and for future cash funding of major capital improvements. The City assigns any excess

dedicated revenues at year-end and accumulated fund balance for future capital projects consistent with the adopted capital improvement funding plan. The City's commitment to the capital funding plan will generate significant funding capacity in future fiscal years.

The City also followed other practices designed to avoid using one-time revenues for recurring expenditures, to ensure an ongoing mix of pay-as-you-go and long-term debt funding of capital needs, and to periodically monitor revenues and expenditures to budget.

The City also accomplished or continued work on several other financial, organizational and economic development goals including:

- The City completed the first phase of a study to examine opportunities to align internal services, reduce redundancies and improve efficiencies between the City and its PWC to better serve the interests of local citizens and customers. Communication, financial, and legal services were among those considered during the study. The study also included an examination of the City's practices compared to its charter provisions regarding the delivery of utility services, as well as several financial and operational policies and practices related to fiber optic services, sharing municipal electric franchise taxes, and existing shared internal services.
- The City continued to enhance its transit services by implementing a bus route along Strickland Bridge Road, adding ADA accessible bus stops, as well as preparing for a new feeder route along Owen Drive and the extension of services onto Fort Bragg. The new routes are scheduled to begin in the second quarter of fiscal year 2015. The City also completed an update to its Transit Development Plan which identifies public transit service improvements for the next ten years.
- In conjunction with the fiscal year 2015 annual budget process, the City transitioned to program budgeting and developed an organizational performance management system. A data analytics team will be established in fiscal year 2015 to support data collection, provide guidelines for reporting data, and perform periodic audits of performance management metrics.
- The City began implementation of a new building permit software program to enable applicants to view their plan review and inspection results on-line. This initiative will allow increase transparency for customers and citizens.
- The City continued land acquisition in the Catalyst Site 1 area for the Murchison Road Corridor Redevelopment Project. The City's five-year capital improvement plan includes \$920,000 for land acquisition for the project.

- The City established the Crime Information Center (CIC) to assist Police personnel in the deployment of resources for the prevention and suppression of criminal activities. The CIC will enhance information sharing, crime analysis and crime scene correlation, as well as real time monitoring of crime trends as they occur. The CIC will also serve as an operations center or command post during serious incidents and special events. In conjunction with the center, the City also implemented a surveillance camera system and an electronic monitoring program. The surveillance camera system will promote community safety initially in public spaces in the downtown area. The electronic monitoring program was implemented to reduce criminal activity by repeat priority offenders.
- The City, with and through its PWC, accomplished or continued work on several utility system financial, operational and economic development policies and goals including:
 - Implementation of the first two phases of a comprehensive information technology system project (Navlgate) in fiscal year 2014. The project replaced the customer information, financial and work management systems as well as added an asset management system. The project will be complete in fiscal year 2015 with the installation of the meter data management system.
 - Began installation of the advanced metering infrastructure (AMI) in fiscal year 2014. By fiscal year 2017, the multi-year \$62 million project will have replaced over 150,000 electric and water meters with advanced meters having two-two-way technology features.
 - Introduced additional conservation incentive programs to increase customer awareness of their utility usage. The programs are a part of efforts to help customers better understand and manage their utility use with information that will be made possible by PWC's new metering technology.
 - Continued progress on the installation of sanitary sewer services as part of the City's Annexation Phase V utility retrofitting project. Over 3,000 services have been installed and the remaining 5,500 services will be installed by 2024.

During the year, the City continued or completed work on many significant capital projects including the following:

- The City made significant progress toward several improvement projects at the Fayetteville Regional Airport. During fiscal year 2014, \$2.3 million of funding from federal grants, passenger facility fees and airport operating revenues was invested in the projects, which included airport apron, taxiway and runway improvements.
- During the fiscal year, the City completed design and received bids for the new downtown multimodal transit center located along Robeson Street. Construction is expected to begin in November 2014. At June 30, 2014, the construction project was funded by an \$8 million federal grant, a \$1 million state grant and a \$1 million local match from the City.

- The City issued a \$10.6 million revenue bond for its Storm Water Management System in August, 2011. During fiscal year 2014, the City invested \$2.1 million of the bond proceeds and storm water system revenues in various drainage system improvement projects throughout the community.
- The City invested approximately \$4.2 million in the resurfacing of streets, construction of sidewalks and traffic system improvements. In addition, streets, sidewalks and stormwater system improvements valued at approximately \$1.9 million were contributed to the City.
- The City began construction of the next phase of the Cape Fear River Trail which will add 1.27 miles to the existing trail system. The trail is scheduled to be completed in November 2014.
- The City completed development of a 30-acre western area neighborhood park located at the Century Circle School complex. The park includes two football/soccer fields, four baseball/softball fields, a running track, and a concession facility.
- The City's PWC began conversion of over 16,000 street lights to light-emitting diode (LED) street lights. LEDs have a longer life and use less energy than traditional street lights and will help PWC meet State mandates for renewable energy.
- The City's PWC continued rehabilitation and replacement of aging electric, water and sanitary sewer system infrastructure. The project includes rebuilding electric substations and replacing aging wooden poles on the 69KV system with steel poles with a 50-year life expectancy. Water and sanitary sewer system projects include replacing and relining existing mains to improve the quality of services, reduce losses and unaccounted for volumes and extend the life of the distribution and collection systems.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fayetteville, North Carolina for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This report is the work of the efficient and dedicated staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report and to the entire City staff for their cooperation and assistance. Credit is also due to the Mayor and the members of the City Council for their unfailing support of the highest standards of professionalism in the management of Fayetteville's finances.

Respectfully submitted,



Theodore L. Voorhees
City Manager



Lisa T. Smith
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Fayetteville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Fayetteville City Council 2013-2014

LEFT TO RIGHT
Theodore W. Mohn
District 8

Chalmers McDougald
District 4

Robert T. Hurst, Jr.
District 5

Mitch Colvin
District 3

Kady-Ann Davy
Mayor Pro Tem
District 2



Nat Robertson
Mayor

James William Arp, Jr.
District 9

Larry Wright
District 7

Kathy Jensen
District 1

William Joseph Leon Crisp
District 6

City Administrative, Legal and Financial Staff

Theodore L. Voorhees
City Manager

Karen McDonald
City Attorney

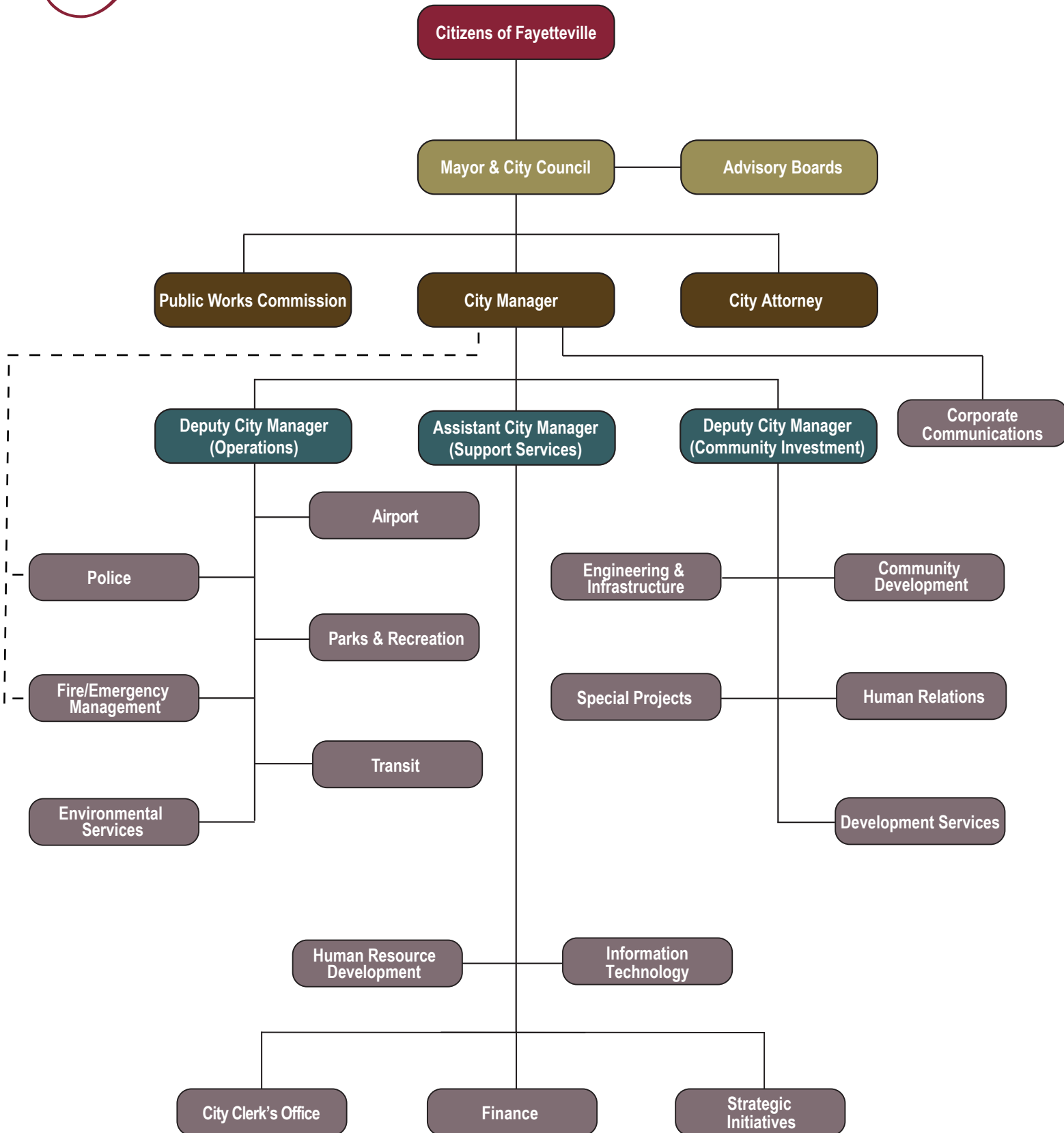
Kristoff T. Bauer
Deputy City Manager

Lisa T. Smith
Chief Financial Officer

Rochelle Small-Toney
Deputy City Manager

Pamela Megill
City Clerk

Jay Reinstein
Assistant City Manager





2014

Financial Section

- Report of Independent Auditor
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements



2014

Report of Independent Auditor

Report of Independent Auditor

The Honorable Mayor
and Members of the City Council
City of Fayetteville
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fayetteville, North Carolina (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefit Schedules of Funding Progress and Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, other schedules, the statistical section, the Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, and the Schedule of Expenditures of Passenger Facility Charges, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, other schedules, the Schedule of Expenditures of Federal and State Awards, and the Schedule of Expenditures of Passenger Facility Charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the supplementary information, other schedules, Schedule of Expenditures of Federal and State Awards, and Schedule of Expenditures of Passenger Facility Charges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Handwritten signature of Cherry Bekasert LLP in cursive script.

Fayetteville, North Carolina
November 6, 2014



2014

Management's Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fayetteville ("the City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the transmittal letter at the front of this report and the City's financial statements, which follow this narrative.

Financial Highlights

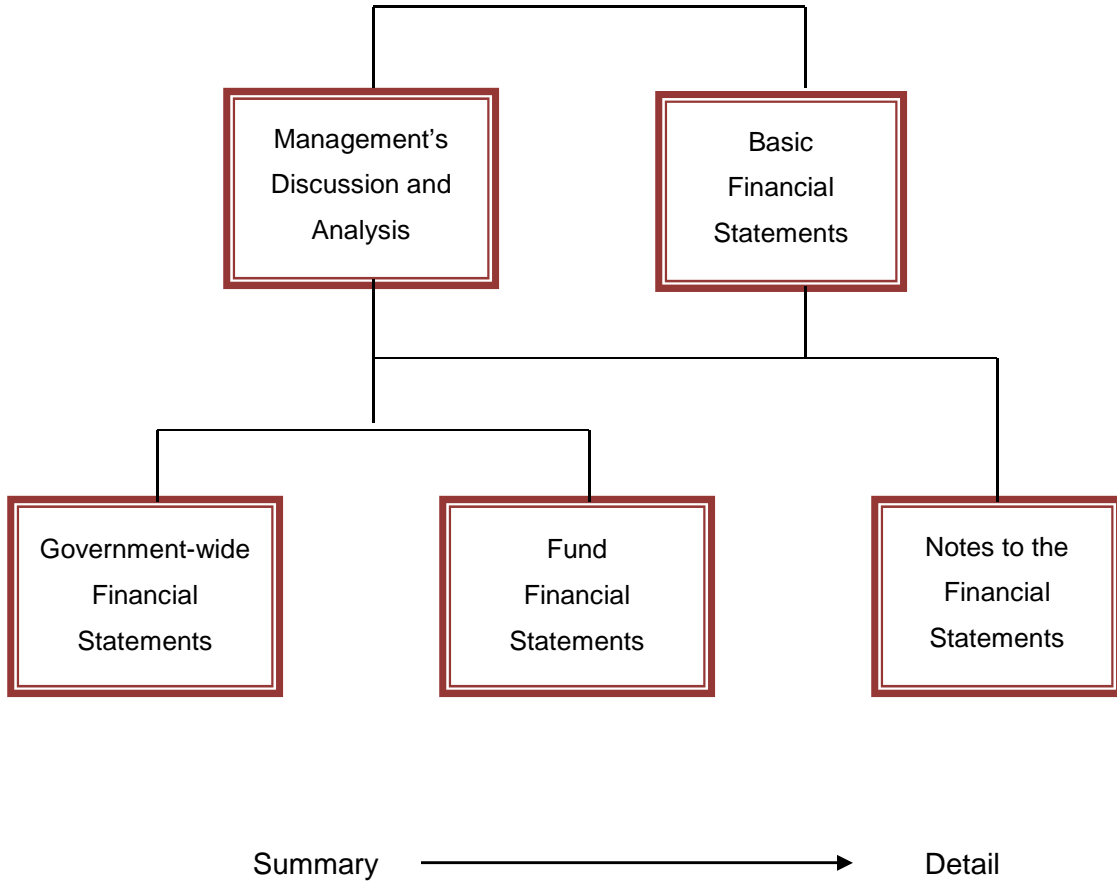
- The assets and deferred outflows of resources of the City of Fayetteville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1.3 billion (*net position*). Of this amount, \$270.7 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$12.8 million.
- Net position decreased \$9.5 million to \$407.3 million in fiscal year 2014, down from \$416.8 million in fiscal year 2013 in the Governmental activities.
- Net position increased \$22.3 million to \$941.7 million in fiscal year 2014, up from \$919.4 million in fiscal year 2013 in the Business type activities. By far, the largest portion of net position, \$709.4 million or 75.3 percent, reflects the net investment in capital assets less any related debt still outstanding that was issued to acquire those assets in the Electric, Water and Wastewater, Storm Water Management, Transit, Airport and Environmental Services activities.
- As of the close of fiscal year 2014, the City's governmental funds reported an ending fund balance of \$71.3 million, an increase of \$7.1 million in comparison to the prior year. Approximately 47.3 percent of total fund balance, or \$33.8 million is nonspendable or restricted.
- At the end of fiscal year 2014, unassigned fund balance for the General Fund was \$19.4 million or 13.1 percent of total General Fund expenditures and transfers out for the fiscal year.
- The City's total debt decreased by \$11.0 million during fiscal year 2014.
- During fiscal year 2014, the City maintained its Aa1 and AA+ credit rating for its outstanding general obligation bonds and Aa2 and AA credit rating for its outstanding Public Works Commission revenue bonds, from Moody's and Standard & Poor's, respectively.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Fayetteville's basic financial statements which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements as shown below. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City. This report includes all funds of the City of Fayetteville as well as its component units, which are described in the following pages. Note 1 in the financial report includes further discussion of the reporting entity and description of funds.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City of Fayetteville's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City of Fayetteville's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's non-major governmental and proprietary funds and the internal service funds. The governmental and internal service funds are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City of Fayetteville's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as general administration, public safety, transportation, economic and physical development, and recreation and community facilities. Property and other taxes, and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the electric, water and wastewater, storm water, airport, transit and environmental services offered by the City of Fayetteville or its Public Works Commission.

The government-wide financial statements are on pages D-1 and D-2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City of Fayetteville's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City of Fayetteville’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City’s programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Fayetteville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement on page E-5 of this report uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Fayetteville has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water and wastewater, storm water, mass transit, airport and environmental services operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City. The City uses an internal service fund to account for its fleet maintenance and risk management activities. All of these services predominantly benefit governmental functions except for the fleet maintenance fund, which also provides service to the business type activities. These services have been included within their respective predominant activities in the government-wide financial statements.

Fiduciary Funds – Trust funds are used to account for the activities of funds the City holds in trust for others. The City has one pension trust fund and two private-purpose trust funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages F-1 – F-53 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City’s progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on page G-1 of this report.

Government-wide Financial Analysis

Net Position. The following is a summary of net position for the City of Fayetteville at June 30, 2014 with comparative data for June 30, 2013. The City's combined net position increased \$12.8 million, or 1.0% from fiscal year 2013 to 2014. Net position may serve over time as one useful indicator of a government's financial condition. The information provided below provides a more detailed view of the City's net position.

City of Fayetteville's Net Position (dollars in thousands)

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 113,315	\$ 114,935	\$ 333,600	\$ 314,231	\$ 446,915	\$ 429,166
Capital assets	376,568	363,340	831,884	865,774	1,208,452	1,229,114
Deferred outflows of resources	302	221	7,393	5,923	7,695	6,144
Total assets and deferred outflows of resources	490,185	478,496	1,172,877	1,185,928	1,663,062	1,664,424
Long-term liabilities outstanding	54,419	55,090	186,898	177,332	241,317	232,422
Other liabilities	18,460	15,851	66,551	66,864	85,011	82,715
Deferred inflows of resources	484	247	-	-	484	247
Total liabilities and deferred inflows of resources	73,363	71,188	253,449	244,196	326,812	315,384
Net position:						
Net investment in capital assets	348,741	338,558	669,167	709,444	1,017,908	1,048,002
Restricted	27,136	29,189	1,884	1,190	29,020	30,379
Unrestricted	40,945	39,561	248,377	231,098	289,322	270,659
Total net position	\$ 416,822	\$ 407,308	\$ 919,428	\$ 941,732	\$ 1,336,250	\$ 1,349,040

The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$1.3 billion as of June 30, 2014. Net position is reported in three categories: net investment in capital assets of \$1.0 billion; restricted net position of \$30.4 million; and unrestricted net position of \$270.7 million.

The net investment in capital assets category is defined as the City's investment in City owned capital assets (e.g. infrastructure, land, buildings, automotive equipment, office and other equipment, and electric, water, wastewater and storm water systems), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Another category of net position is restricted net position. This represents resources that are subject to external restrictions on how they may be used.

The final category of net position is unrestricted net position. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2014, \$270.7 million, or 20.1% of the reported total net position of \$1.3 billion, is unrestricted.

City of Fayetteville's Changes in Net Position (dollars in thousands)

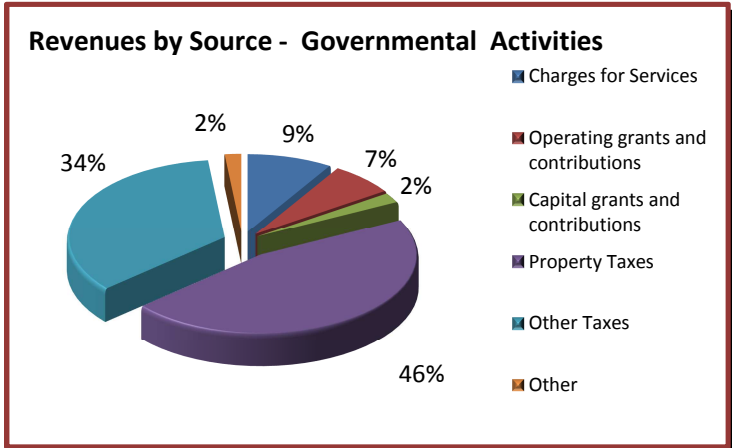
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program revenues:						
Charges for services	\$ 12,553	\$ 12,448	\$ 296,157	\$ 305,896	\$ 308,710	\$ 318,344
Operating grants and contributions	11,180	9,487	2,769	2,781	13,949	12,268
Capital grants and contributions	5,003	2,868	12,186	13,543	17,189	16,411
General revenues:						
Property taxes	62,067	64,702	-	-	62,067	64,702
Other taxes	48,753	48,710	-	-	48,753	48,710
Grants and contributions not restricted to specific programs	840	915	-	-	840	915
Other	1,585	1,502	4,405	4,535	5,990	6,037
Total revenues	141,981	140,632	315,517	326,755	457,498	467,387
Expenses:						
Administration	22,721	25,569	-	-	22,721	25,569
Public safety	72,693	77,282	-	-	72,693	77,282
Environmental protection	8,101	478	-	-	8,101	478
Transportation	20,294	20,447	-	-	20,294	20,447
Economic and physical development	6,301	4,715	-	-	6,301	4,715
Recreation and community facilities	13,502	13,974	-	-	13,502	13,974
Interest and fees	1,158	960	-	-	1,158	960
Electric	-	-	197,554	212,158	197,554	212,158
Water and wastewater	-	-	68,877	70,015	68,877	70,015
Storm water management	-	-	3,226	4,589	3,226	4,589
Transit	-	-	7,722	8,340	7,722	8,340
Airport	-	-	6,085	6,277	6,085	6,277
Environmental services	-	-	-	9,793	-	9,793
Solid waste recycling	-	-	2,189	-	2,189	-
Total expenses	144,770	143,425	285,653	311,172	430,423	454,597
Increase in net position before transfers and special items	(2,789)	(2,793)	29,864	15,583	27,075	12,790
Transfers	3,918	(6,721)	(3,918)	6,721	-	-
Increase in net position	1,129	(9,514)	25,946	22,304	27,075	12,790
Net position, July 1	416,099	416,822	896,609	919,428	1,312,708	1,336,250
Change in accounting principle	(406)	-	(3,127)	-	(3,533)	-
Net position, June 30	\$ 416,822	\$ 407,308	\$ 919,428	\$ 941,732	\$ 1,336,250	\$ 1,349,040

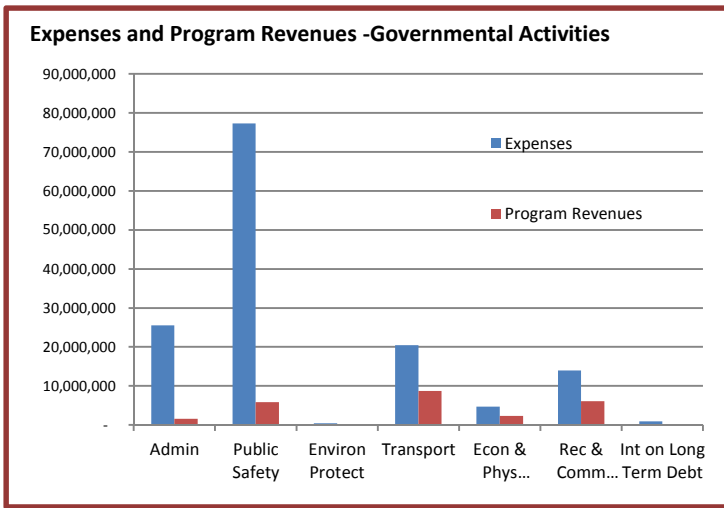
Governmental activities: Revenues for the City's governmental activities were \$140.6 million, while total expenses were \$143.4 million in fiscal year 2014. The decrease in net position for governmental activities, after transfers in, was \$9.5 million. Key elements of this decrease are as follows:

- Ad valorem property tax revenues increased \$2.6 million to \$64.7 million primarily due to natural growth in taxable values and an additional four months of taxes from registered motor vehicles related to the transition to the Tag and Tax Together program implemented by the State. Property taxes represent 46.0 percent of total governmental revenues.

- Other taxes, which accounted for \$48.7 million or 34.6 percent of total governmental revenues, remained virtually unchanged from 2013, primarily due to a \$1.3 million reduction in privilege licenses tax offset by \$0.7 million increase in sales tax and \$0.7 million increase in utility franchise tax. The significant decline in privilege licenses tax resulted from the closure of internet sweepstakes businesses in North Carolina; and therefore, the loss of taxes on these establishments.



- Those who directly benefited from service-fee based programs paid \$12.4 million in charges for services which represented a 0.8 percent or \$0.1 million decrease from 2013. This decrease can be primarily attributed to a \$0.07 million decrease in public safety fees offset by a \$0.6 million increase in administrative fees.
- Other governments and organizations subsidized certain programs with operating grants and contributions totaling \$9.5 million, representing a decrease of 15.2 percent or \$1.7 million in 2014.

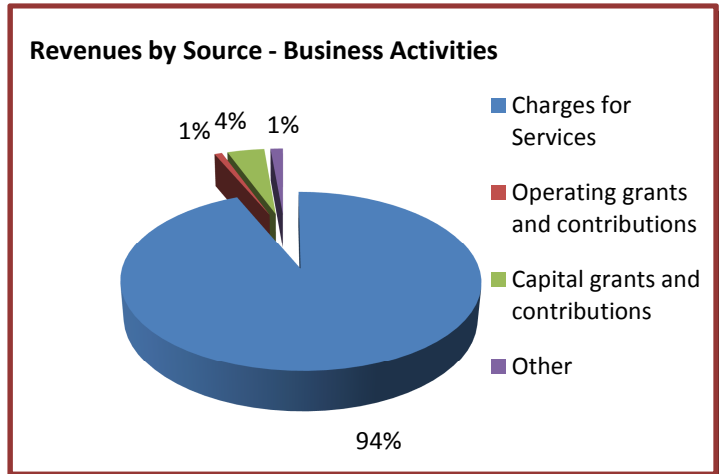


- The governmental activities received \$5.3 million in other revenues such as capital grants and contributions, interest, sale of capital assets and unrestricted grants which represented a decrease of 28.9 percent or \$2.1 million. This decrease primarily reflects a \$1.4 million decline in the value of contributed streets, sidewalks and drainage systems and a \$0.9 million decline in the sale of capital assets due to a \$0.7 million sale of real property for an upscale townhouse development in fiscal year 2013 that did not recur in fiscal year 2014.

- The cost of all governmental activities this year was \$143.4 million as compared to \$144.8 million in fiscal year 2013. These costs were incurred in order to provide municipal services to the citizens of Fayetteville. These services include, but are not limited to: public safety (police, fire, etc.), parks and recreation, street maintenance, administration (city attorney, finance) and others.
- The City's four largest governmental programs – public safety (53.9 percent), administration (17.8 percent), transportation (14.3 percent), and recreation and community facilities (9.7 percent), represent 95.7 percent of the total governmental activities.

Business-type activities: Revenues for the City’s business-type activities were \$326.8 million, while total expenses were \$311.2 million in fiscal year 2014. The increase in net position for business-type activities, after transfers in of \$6.7 million was \$22.3 million, resulting in net position of \$941.7 million. Specifically, net position increased in the electric, water and wastewater activities by \$14.3 million, resulting in net position of \$833.8 million in fiscal year 2014, compared to \$819.5 million in fiscal year 2013. By far, the largest portion of net position, \$628.4 million or 75.4 percent reflects the investment in capital assets less any related debt still outstanding that was issued to acquire those assets. Current and Other Assets in the electric, water and wastewater activities decreased \$19.2 million or 6.5 percent.

The storm water net position increased \$1.3 million in fiscal year 2014. The increase is due primarily to operating revenues that exceeded operating expenses by \$0.9 million, and capital contributions of \$0.4 million related to the transfer of street sweeping vehicles and equipment to this function. Net position of the airport fund at the end of the year amounted to \$55.4 million, an increase of \$0.3 million. The City and federal and state agencies continue to subsidize transit operations, as net position increased \$1.1 million in fiscal year 2014 from \$15.3 million to \$16.4 million. This increase is primarily due to federal and state grants and a contribution from the General Fund for capital projects. Net position for the environmental services function, previously known as solid waste recycling, increased \$5.0 million in fiscal year 2014 from \$1.3 million to 6.3 million. The increase is primarily due to the transfer of solid waste collection vehicles and equipment to this business activity.



Financial Analysis of the City’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City’s financial requirements. Specifically, unassigned fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2014, unassigned fund balance of the General Fund was \$19.4 million, while total fund balance reached \$52.0 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 13.1 percent of total General Fund expenditures and transfers out, while total fund balance represents 35.2 percent of that same amount.

The North Carolina Local Government Commission strongly recommends that local governments maintain an available fund balance of at least 8 percent of annual General Fund expenditures. The City of Fayetteville has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that unassigned fund balance is at

least 10% of the succeeding year's General Fund expenditure budget, excluding the budget for the County Recreation Program. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the fund balance to the established minimum level within two years.

The fund balance of the City's General Fund increased by \$1.0 million during the current fiscal year. This increase can be primarily attributed to:

- Overall revenues increased \$3.0 million in fiscal year 2014. Specifically, ad valorem taxes increased \$3.5 million, sales tax increased \$0.7 million, utility taxes increased \$0.6 million and investment earnings increased \$0.5 million. These increases were offset by a \$1.3 million decrease in privilege license revenue due to the elimination of privilege license tax on internet sweepstakes businesses, a \$1.0 million decrease in restricted federal and state revenues primarily due to the expiration of a grant for fire fighter positions and revenues received in fiscal year 2013, that did not recur in fiscal year 2014, related to the April 16, 2011 tornado.
- Overall expenditures decreased \$4.4 million in fiscal year 2014, primarily due to the transfer of the environmental services and street sweeping functions, with \$8.3 million in operating and capital expenditures in fiscal year 2013, from the General Fund to enterprise funds, as well as, a \$1.5 million decline in debt service. This reduction in expenditures was offset by a \$5.2 million increase in personnel costs for the remaining functions primarily due to pay increases for employees and the assumption of costs for 17 police officer positions that were previously accounted for in a special revenue fund.
- Net other financing uses increased \$5.6 million in fiscal year 2014, primarily due to a \$6.8 million transfer to the Environmental Services Fund to subsidize residential refuse collection. Prior to fiscal year 2014, the residential refuse collection function was reported in the General Fund.

At June 30, 2014, the governmental funds of the City reported a combined fund balance of \$71.3 million, reflecting an 11.0 percent increase from the previous year.

General Fund Budgetary Highlights

The City Council approved a \$151.2 million general fund budget for fiscal year 2014, which represented a \$5.6 million or 3.9% increase from the original budget for fiscal year 2013. The tax rate remained the same at 45.6 cents per \$100 value. Significant appropriation changes in the fiscal year 2014 budget included: the transition of \$1.1 million in street sweeping expenditures from the general fund to the stormwater fund; a net reduction of \$737,000 for environmental services expenditures which were transitioned to the environmental services fund; a \$4.0 million increase in personnel costs which included the impact of employee pay and pay plan adjustments (\$2.9 million), personnel costs for 17 grant-funded police officer positions transitioning from grant funding (\$604,000), and \$183,000 for three funded initiatives for two positions and additional temporary services; a \$4.1 million increase in transfers to fund capital and information technology improvement projects, including annexation area water and sewer infrastructure projects; and a \$698,000 net decrease in funding for capital items.

The original fiscal year 2014 budget anticipated an additional \$2.4 million in current ad valorem taxes from real and personal property as compared to the original fiscal year 2013 budget, primarily reflecting natural growth in taxable values and an additional four months of taxes on registered motor vehicles related to timing adjustments for the Tag and Tax Together program being implemented by the State. Other significant revenue increases anticipated in the original fiscal year 2014 budget as compared to fiscal year 2013 original budget included: a \$1.0 million increase in sales tax distributions reflecting projected modest economic growth in fiscal year 2014; a \$1.3 million increase in transfers from the electric fund; and \$2.2 million in planned financing proceeds. Revenue decreases anticipated in the original fiscal year 2014 budget include: \$392,000 in transfers from the environmental services fund due to the conclusion of an interfund loan repayment in fiscal year 2013; \$289,000 for the transition of revenues associated with environmental services to the environmental services fund; \$121,000 for the transition of revenues associated with street sweeping to the stormwater fund. The \$3.5 million fund balance appropriation for one-time expenditures for fiscal year 2014 represented a \$448,000 decrease compared to the original \$4.0 million fund balance appropriation originally budgeted in fiscal year 2013.

During the fiscal year, the City Council approved budget increases of \$4.0 million or 2.6%, bringing the general fund budget for fiscal year 2014 to \$155.1 million. The budget increases related to appropriations of: \$2.5 million for expenditures for which funds were restricted or assigned at June 30, 2013; \$500,000 for capital improvement funding; and \$956,000 to cover year-end projections and other items across multiple departments. The increased budget appropriations were primarily funded by additional fund balance appropriations of \$3.1 million and \$675,000 in additional property tax revenues.

Actual revenues and other financing sources for the general fund totaled \$149.0 million, or \$6.1 million or 4.0% less than the final amended budget. The shortfall largely related to a budgeted fund balance appropriation of \$6.7 million, which is an other financing source that is not reflected as current year revenue. In addition, permit and fee revenues fell short of budget by \$729,000 primarily due to lower than expected building and trade permit activity; unrestricted intergovernmental revenues fell short of the budget by \$329,000 predominantly reflecting lower than expected distributions of sales taxes revenues offset by higher than expected utility franchise taxes; and other sales and services revenues fell short of budget by \$295,000. These shortfalls were offset by: ad valorem taxes and other taxes that exceeded the budget by \$899,000 principally due to the enhanced collection of taxes on licensed motor vehicles by the North Carolina Division of Motor Vehicles; restricted intergovernmental revenues that exceeded the budget by \$518,000 largely due to higher than expected funding received for the operations of the Cumberland County's recreation program and for Powell Bill street maintenance funding; investment income that exceeded budget by \$153,000; and miscellaneous revenues which exceeded the budget projection by \$434,000.

Actual expenditures and other financing uses totaled \$148.0 million, or \$7.1 million or 4.6% less than the final amended budget. The final budget retained appropriations of approximately \$1.9 million or 1.3% beyond department year-end expenditure projections to ensure sufficient budget for unanticipated expenditures through the end of the fiscal year. In addition, there were approximately \$2.6 million in expenditures budgeted for fiscal year 2014 for which fund balance was restricted or assigned at June 30, 2014 to be reappropriated in fiscal year 2015. Finally, personnel expenditures across all departmental budgets were \$244,000 or 0.3% less than projected and the remaining \$2.3 million variance between projected and actual expenditures resulted from a variety of departmental operating expenditures being less than estimated including interfund transfers (\$620,000) and contract services (\$765,000).

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totals \$1.0 billion (net of accumulated depreciation and related debt). These assets include infrastructure; buildings; improvements; automotive equipment; office and other equipment; and electric, water, wastewater and storm water utility systems.

Major capital asset investments and contributions during the fiscal year included the following:

- \$7.2 million for installation of water and wastewater mains and laterals in annexed areas
- \$2.2 million for airport runway, apron and other improvements
- \$4.9 million for utility system software and hardware upgrade (Navigate)
- \$5.4 million in governmental street, sidewalk and drainage infrastructure projects
- \$4.2 million for purchase and installation of electric and water meters
- \$3.8 million for expansion of PO Hoffer Water Treatment Facility
- \$3.8 million for rehabilitation of water mains, laterals and transmission lines
- \$3.6 million for relocating/rebuilding utility substations
- \$3.4 million for installation of water and wastewater mains and laterals
- \$3.3 million for rehabilitation of wastewater mains, laterals and transmission lines
- \$2.3 million for purchase of vehicles and power operated equipment for the utility system
- \$2.0 million for rehabilitation of a 48" diameter outfall
- \$1.9 million for stormwater system improvements
- \$1.4 million for police, fire, development services, engineering and parks and recreation vehicles
- \$1.5 million for transit system vehicles
- \$1.3 million for new installation and system improvements to electric underground distribution system

**City of Fayetteville's Capital Assets (dollars in thousands)
(net of accumulated depreciation)
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land and land rights	\$ 38,220	\$ 38,995	\$ 21,035	\$ 21,863	\$ 59,255	\$ 60,858
Infrastructure	248,570	241,002	17,892	21,760	266,462	262,762
Electric utility system	-	-	176,526	177,970	176,526	177,970
Wastewater system	-	-	286,280	289,098	286,280	289,098
Water system	-	-	178,863	182,531	178,863	182,531
Equipment and machinery	-	-	11,252	11,030	11,252	11,030
Buildings and improvements	64,794	64,298	66,079	63,191	130,873	127,489
Equipment, furniture and fixtures	4,720	4,159	2,141	2,643	6,861	6,802
Computer software	649	763	2,596	7,746	3,245	8,509
Computer equipment	-	-	2,014	1,869	2,014	1,869
Vehicles	16,484	10,709	14,508	19,230	30,992	29,939
Construction in progress	3,131	3,414	52,697	66,843	55,828	70,257
Total	\$ 376,568	\$ 363,340	\$ 831,883	\$ 865,774	\$ 1,208,451	\$ 1,229,114

Additional information on the City's capital assets can be found in Note 3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2014, The City had total bonded debt outstanding of \$140.2 million before loss on defeasance and reacquired debt, premiums, and discounts (see Note 5 in the financial statements), of which \$11.2 million is debt backed by the full faith and credit of the City. In addition, the City has a number of capital leases and several installment notes outstanding. A summary of total long-term debt is shown in Figure 5.

Bonded Debt, Capital Leases and Installment Notes Payable (dollars in thousands)

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Bonded debt	\$ 13,437	\$ 10,862	\$ 142,483	\$ 129,303	\$ 155,920	\$ 140,165
Obligations under capital leases	17,927	19,166	39	19	17,966	19,185
Installment note payable	525	450	22,650	26,275	23,175	26,725
Total long-term debt	\$ 31,889	\$ 30,478	\$ 165,172	\$ 155,597	\$ 197,061	\$ 186,075

The City's total long-term debt decreased by \$11.0 million, or 5.6 percent, during the past fiscal year. This decrease is due to regularly scheduled principal payments of \$20.1 million offset by \$3.9 million in capital lease proceeds and \$5.2 million in proceeds received from state loans.

The City's other long-term obligations include a liability for the estimated amount of vacation and compensatory leave to ultimately be paid (compensated absences) of \$10.4 million, and a \$24.8 million liability for Other Post-Employment Benefits (OPEB).

The City's most recent general obligation bond credit ratings received in connection with the Series 2009 General Obligation Refunding Bonds were upgraded to Aa2 (Moody's Investor Services) and AA+ (Standard & Poor's). Subsequently, in May 2010, Moody's recalibrated the City's general obligation bond credit rating upward from Aa2 to Aa1.

The City's Public Works Commission outstanding revenue bonds carry an Aa2 and AA credit rating from Moody's and Standard and Poor's, respectively.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City is approximately \$1.1 billion. The City has \$1.7 million refunding bonds authorized but unissued at June 30, 2014.

Additional information regarding the City's long-term debt can be found in Note 5 on pages F-25 – F-37 of this report.

Economic Factors and Next Year's Budget and Rates

Budget Highlights for the Fiscal Year Ending June 30, 2015

The City Council approved a \$156.1 million general fund budget for fiscal year 2015, which represented a \$4.9 million or 3.2% increase from the original budget for fiscal year 2014. The general ad valorem tax rate increased by 3.0 cents to 48.6 cents per \$100 value. Significant appropriation increases in the fiscal year 2015 budget included: \$4.4 million in enhancements for public safety, including the addition of 36 sworn law enforcement positions and 12 support positions; \$1.6 million to fund employee pay adjustments; \$233,000 for staffing enhancements for economic and business development and development services; \$720,000 for projected increases for vehicle maintenance; and, a \$515,000 increased appropriation to balance County Recreation District expenditures to projected revenues. These appropriation increases were offset by appropriation reductions including: a \$1.1 million reduction of reimbursements for electric franchise tax proceeds; a \$1.2 million reduction in budgeted capital purchases and transfers to capital project funds; and a \$532,000 reduction in projected transfers to support enterprise fund activities.

The original fiscal year 2015 budget anticipated an additional \$4.2 million in current year ad valorem taxes from real and personal property as compared to the original fiscal year 2014 budget. The increase principally reflected the impact of the 3.0 cent increase in the general ad valorem tax rate. Other significant revenue increases anticipated in the original fiscal year 2015 budget as compared to fiscal year 2014 original budget included: a \$1.3 million increase in intergovernmental revenues primarily reflecting \$695,000 in anticipated Federal grants for additional law enforcement personnel and a \$444,000 increase in projected funding from Cumberland County for the operations of the joint parks and recreation program; and, a \$1.2 million increase in interfund transfers largely reflecting the return of \$1.0 million transferred for a transit capital project pending receipt of grant funding. Revenue decreases anticipated in the original fiscal year 2015 budget include: a \$305,000 decline in prior year ad valorem taxes mainly reflecting the impact of the Tag and Tax Together program; and, a \$378,000 decline in permit and fee revenues primarily due to anticipated declines in building permit and inspection activity. The \$2.5 million fund balance appropriation for one-time expenditures for fiscal year 2015 represented a \$991,000 decrease compared to the original \$3.5 million fund balance appropriation originally budgeted in fiscal year 2014.

The City Council has since approved budget increases of \$2.9 million, or 1.9%, bringing the general fund budget for fiscal year 2015 to \$159.0 million. The vast majority of the increases (\$2.6 million) related to appropriations for expenditures for which funds were restricted or assigned at June 30, 2014, and the increases were primarily funded by additional appropriations from fund balance (\$2.8 million).

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, City of Fayetteville, 433 Hay Street, Fayetteville, NC 28301. You can also call (910) 433-1682, visit our website www.cityoffayetteville.org/finance or send an email to lsmith@ci.fay.nc.us for more information.



2014

Basic Financial Statements

These basic financial statements provide a summary of the financial position of all governmental and business-type activities and the major and nonmajor funds. They also serve as an introduction to the more detailed schedules that follow in subsequent sections.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Net Position
June 30, 2014**

	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Cash and investments	\$ 74,611,797	\$ 116,700,284	\$ 191,312,081
Taxes receivable	3,287,608	-	3,287,608
Accounts receivable	2,879,499	48,520,936	51,400,435
Internal balances	(1,729,738)	1,729,738	-
Assessment receivable	1,167,926	-	1,167,926
Due from other governments	12,826,749	-	12,826,749
Inventories	124,837	12,711,941	12,836,778
Prepaid expenses	945,356	1,032,321	1,977,677
Noncurrent portion of note receivable	8,785,824	-	8,785,824
Restricted asset - cash and investments	8,061,024	113,050,685	121,111,709
Restricted asset - accounts receivable	1,543	3,752,361	3,753,904
Restricted asset - collateral pledged	-	309,362	309,362
Restricted asset - prepaid expense	3,937,714	-	3,937,714
Other assets	75	16,423,510	16,423,585
Property held for resale	34,871	-	34,871
Capital assets:			
Land and construction in progress	42,408,164	88,705,410	131,113,574
Other capital assets, net of depreciation	320,931,700	777,068,158	1,097,999,858
Total assets	478,274,949	1,180,004,706	1,658,279,655
Deferred Outflows of Resources			
Charge on refunding	220,984	5,922,697	6,143,681
Total deferred outflow of resources	220,984	5,922,697	6,143,681
Liabilities			
Accounts payable and accrued expenses	13,892,898	36,968,313	50,861,211
Restricted liabilities - accounts payable	81,138	15,077,171	15,158,309
Restricted unearned deposits	664,040	1,273,062	1,937,102
Unearned revenues	1,213,237	44,583	1,257,820
Unearned deposits	-	2,839,942	2,839,942
Long-term liabilities:			
Due within one year	9,560,743	18,265,879	27,826,622
Due in more than one year	45,529,261	159,066,290	204,595,551
Other liabilities	-	10,660,346	10,660,346
Total liabilities	70,941,317	244,195,586	315,136,903
Deferred Inflows of Resources			
Prepaid taxes	246,996	-	246,996
Total deferred inflow of resources	246,996	-	246,996
Net position			
Net investment in capital assets	338,558,257	709,443,909	1,048,002,166
Restricted for:			
Capital projects	-	1,081,334	1,081,334
Debt service	-	108,014	108,014
Operating projects	-	1,020	1,020
Stabilization by State Statute	22,532,818	-	22,532,818
Downtown	44,120	-	44,120
Recreational and cultural	5,532,978	-	5,532,978
Donations	21,983	-	21,983
Lake Valley Drive MSD	134	-	134
Public safety	886,167	-	886,167
Economic and physical development	7,580	-	7,580
Powell bill	162,574	-	162,574
Unrestricted	39,561,009	231,097,540	270,658,549
Total net position	\$ 407,307,620	\$ 941,731,817	\$ 1,349,039,437

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
Administration	\$ 25,568,650	\$ 1,542,466	\$ 32,545	\$ -	\$ (23,993,639)	\$ -	\$ (23,993,639)
Public safety	77,282,295	4,095,850	1,707,551	79,929	(71,398,965)	-	(71,398,965)
Environmental protection	477,470	59,335	-	-	(418,135)	-	(418,135)
Transportation	20,447,440	1,276,526	5,581,480	1,905,111	(11,684,323)	-	(11,684,323)
Economic and physical development	4,714,803	422,997	1,911,277	-	(2,380,529)	-	(2,380,529)
Recreation and community facilities	13,974,381	5,051,290	149,587	882,480	(7,891,024)	-	(7,891,024)
Interest and fees	960,294	-	104,110	-	(856,184)	-	(856,184)
Total governmental activities	143,425,333	12,448,464	9,486,550	2,867,520	(118,622,799)	-	(118,622,799)
Business-type activities:							
Electric	212,158,021	217,853,786	-	1,297,052	-	6,992,817	6,992,817
Water and wastewater	70,015,544	74,492,496	-	8,143,723	-	12,620,675	12,620,675
Storm water management	4,588,821	5,283,676	-	-	-	694,855	694,855
Transit	8,339,679	1,245,135	2,539,161	2,102,218	-	(2,453,165)	(2,453,165)
Airport	6,277,135	4,196,444	108,430	2,000,263	-	28,002	28,002
Environmental services	9,793,149	2,824,521	133,637	-	-	(6,834,991)	(6,834,991)
Total business-type activities	311,172,349	305,896,058	2,781,228	13,543,256	-	11,048,193	11,048,193
Total primary government	\$ 454,597,682	\$ 318,344,522	\$ 12,267,778	\$ 16,410,776	(118,622,799)	11,048,193	(107,574,606)
General revenues:							
Ad valorem taxes					64,702,217	-	64,702,217
Other taxes							
Sales tax					34,581,531	-	34,581,531
Utility franchise tax					7,006,126	-	7,006,126
Telecommunications sales tax					1,646,537	-	1,646,537
Piped natural gas tax					605,737	-	605,737
Video franchise tax					2,351,181	-	2,351,181
Vehicle license tax					794,099	839,060	1,633,159
Privilege license					1,121,164	-	1,121,164
Cablevision franchise tax					-	-	-
Vehicle gross receipts tax					603,416	-	603,416
Solid waste disposal tax					-	-	-
Unrestricted grants and contributions					914,579	-	914,579
Interest earned on investments					818,792	3,070,459	3,889,251
Miscellaneous					541,010	466,103	1,007,113
Gain on sale of capital assets					142,765	158,907	301,672
Total general revenues not including transfers					115,829,154	4,534,529	120,363,683
Transfers					(6,720,827)	6,720,827	-
Total general revenues and transfers					109,108,327	11,255,356	120,363,683
Change in net position					(9,514,472)	22,303,549	12,789,077
Net position - beginning					416,822,092	919,428,268	1,336,250,360
Net position - ending					\$ 407,307,620	\$ 941,731,817	\$ 1,349,039,437

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 42,809,835	\$ 12,782,446	\$ 55,592,281
Taxes receivable	3,117,383	-	3,117,383
Accounts receivable	13,664,833	9,857,056	23,521,889
Interfund receivable	-	192,150	192,150
Assessments receivable	1,167,926	-	1,167,926
Prepaid expenses	-	6	6
Inventories	124,837	-	124,837
Restricted cash and investments	4,840,395	3,220,629	8,061,024
Restricted accounts receivable	-	1,543	1,543
Restricted prepaid	-	3,937,714	3,937,714
Property held for resale	7,000	27,871	34,871
Total assets	\$ 65,732,209	\$ 30,019,415	\$ 95,751,624
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 8,643,906	\$ 491,841	\$ 9,135,747
Interfund payables	-	192,150	192,150
Restricted unearned deposits	664,040	-	664,040
Unearned revenue	136,269	1,069,526	1,205,795
Restricted accounts payable and accrued expenses	-	81,138	81,138
Total liabilities	9,444,215	1,834,655	11,278,870
Deferred inflows of resources:			
Taxes receivable	2,560,335	-	2,560,335
Accounts receivable	264,600	8,919,089	9,183,689
Assessment receivable	1,167,926	-	1,167,926
Prepaid taxes	246,996	-	246,996
Total deferred inflows of resources	4,239,857	8,919,089	13,158,946
Fund balances:			
Nonspendable			
For inventories	124,837	-	124,837
Prepaid for public safety	-	3,937,714	3,937,714
Restricted			
Stabilization by State Statute	16,153,768	6,379,050	22,532,818
For streets - Powell Bill	-	162,574	162,574
For downtown	34,494	9,626	44,120
For county recreation	4,783,784	-	4,783,784
For donations	21,983	-	21,983
For Lake Valley Drive MSD	134	-	134
Public safety	-	886,167	886,167
Economic and physical development	-	511,060	511,060
Recreation and community facilities	-	749,195	749,195
Committed			
Administration	-	2,586,408	2,586,408
Public safety	-	547,357	547,357
Transportation	-	2,681,789	2,681,789
Economic and physical development	-	621,908	621,908
Recreation and community facilities	-	1,069,159	1,069,159
Assigned			
For subsequent year's expenditures	2,539,540	-	2,539,540
For special purpose	6,550,771	-	6,550,771
For capital projects	2,470,419	-	2,470,419
Unassigned	19,368,407	(876,336)	18,492,071
Total fund balances	52,048,137	19,265,671	71,313,808
Total liabilities, deferred inflows of resources and fund balances	\$ 65,732,209	\$ 30,019,415	\$ 95,751,624

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2014**

Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balance - governmental funds		\$ 71,313,808
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		361,242,554
Land	\$ 22,722,440	
Right of Way	16,272,071	
Construction in progress	3,315,819	
Infrastructure	455,017,922	
Buildings and improvements	101,954,255	
Furniture and equipment	29,972,671	
Vehicles	33,563,117	
Accumulated depreciation	(301,575,741)	
	<u>\$ 361,242,554</u>	
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		12,911,950
Costs of bond issuance are current-period expenditures in the funds, but will be deferred in the statement of net position and amortized over the life of the outstanding debt.		220,984
Prepaid expenses are current-period expenditures in the funds, but are assets not available to pay current-period expenditures and, therefore, are capitalized.		610,580
Accrued tax penalties receivable are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.		170,228
Internal service funds are used by management to charge the costs of PWC fleet maintenance and insurance expenses to individual funds. The assets and liabilities of the internal service funds are included in governmental activities.		15,511,497
Accrued interest payable on long-term debt is not a current expenditure and therefore not recorded in the funds.		(312,587)
Accrued federal subsidy receivable associated with accrued interest payable and therefore not recorded in the funds.		40,715
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		(54,402,109)
General obligation bonds	\$ (8,230,708)	
Revenue bonds	(3,116,139)	
Notes payable	(450,000)	
Obligations under capital leases	(19,165,621)	
Net OPEB obligation	(17,286,966)	
Compensated absences	(6,152,675)	
	<u>\$ (54,402,109)</u>	
Net position of governmental activities		<u>\$ 407,307,620</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 65,328,949	\$ -	\$ 65,328,949
Other taxes and fees	2,597,813	805,520	3,403,333
Unrestricted intergovernmental	47,695,920	-	47,695,920
Restricted intergovernmental	9,646,097	3,527,092	13,173,189
Permits and fees	2,347,930	-	2,347,930
Sales and services	3,998,499	-	3,998,499
Miscellaneous	2,360,325	1,546,239	3,906,564
Interest earned on investments	458,543	36,306	494,849
Total revenues	<u>134,434,076</u>	<u>5,915,157</u>	<u>140,349,233</u>
Expenditures			
Current:			
Administration	24,695,949	2,737,532	27,433,481
Public safety	72,205,870	2,378,369	74,584,239
Environmental protection	275,051	-	275,051
Transportation	7,192,017	4,204,492	11,396,509
Economic and physical development	1,693,073	3,354,768	5,047,841
Recreation and community facilities	12,330,192	1,577,489	13,907,681
Debt service:			
Principal	4,654,379	695,000	5,349,379
Interest	893,895	189,547	1,083,442
Total expenditures	<u>123,940,426</u>	<u>15,137,197</u>	<u>139,077,623</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,493,650</u>	<u>(9,222,040)</u>	<u>1,271,610</u>
Other financing sources (uses)			
Sale of capital assets	107,268	6,745	114,013
Transfers in	14,454,252	11,384,482	25,838,734
Transfers out	(24,071,391)	(23,904)	(24,095,295)
Capital lease proceeds	-	3,937,714	3,937,714
Total other financing sources (uses)	<u>(9,509,871)</u>	<u>15,305,037</u>	<u>5,795,166</u>
Net change in fund balances	983,779	6,082,997	7,066,776
Fund balance - beginning	<u>51,064,358</u>	<u>13,182,674</u>	<u>64,247,032</u>
Fund balance - ending	<u>\$ 52,048,137</u>	<u>\$ 19,265,671</u>	<u>\$ 71,313,808</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 7,066,776

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$20,403,478) exceeded capital outlay (\$10,362,652) in the current period. (10,040,825)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets. (3,260,824)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,302,879)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, government funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. (609,560)

New issuance - capital lease	\$ (3,937,714)
Principal repayments	5,349,379
Change in net OPEB obligation	(1,994,021)
Change in compensated absences	(216,380)
Other miscellaneous	189,176
	<u>\$ (609,560)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 736,022

The net revenue of certain activities of internal service funds is reported with governmental activities. (2,103,181)

Change in net position of governmental activities \$ (9,514,472)

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 63,862,152	\$ 64,537,687	\$ 65,328,949	\$ 791,262
Other taxes	2,415,000	2,490,000	2,597,813	107,813
Unrestricted intergovernmental	48,024,935	48,024,935	47,695,920	(329,015)
Restricted intergovernmental	9,112,646	9,127,646	9,646,097	518,451
Permits and fees	3,076,700	3,076,700	2,347,930	(728,770)
Sales and services	4,237,420	4,293,420	3,998,499	(294,921)
Miscellaneous	1,926,527	1,926,527	2,360,325	433,798
Interest earned on investments	305,800	305,800	458,543	152,743
Total revenues	132,961,180	133,782,715	134,434,076	651,361
EXPENDITURES				
Current:				
Administration	25,194,040	25,742,185	24,695,949	1,046,236
Public safety	73,188,364	74,644,094	72,205,870	2,438,224
Environmental protection	318,838	319,713	275,051	44,662
Transportation	7,422,978	7,718,956	7,192,017	526,939
Economic and physical development	1,609,709	2,064,069	1,693,073	370,996
Recreation and community facilities	12,409,485	13,032,777	12,330,192	702,585
Debt Service:				
Principal	5,487,118	5,726,386	4,654,379	1,072,007
Interest	1,058,080	951,332	893,895	57,437
Total expenditures	126,688,612	130,199,512	123,940,426	6,259,086
Excess (deficiency) of revenues over (under) expenditures	6,272,568	3,583,203	10,493,650	6,910,447
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	230,000	230,000	107,268	(122,732)
Appropriated fund balance	3,530,896	6,662,803	-	(6,662,803)
Transfers in	12,303,700	14,454,337	14,454,252	(85)
Transfers out	(24,487,801)	(24,930,343)	(24,071,391)	858,952
Proceeds from loans	2,150,637	-	-	-
Total other financing sources (uses)	(6,272,568)	(3,583,203)	(9,509,871)	(5,926,668)
Net change in fund balances	\$ -	\$ -	983,779	\$ 983,779
FUND BALANCE - BEGINNING			51,064,358	
FUND BALANCE - ENDING			\$ 52,048,137	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
Assets						
Current assets						
Cash and investments	\$ 76,808,649	\$ 15,520,200	\$ 10,521,220	\$ 13,850,215	\$ 116,700,284	\$ 19,019,508
Accounts receivable	29,141,591	15,904,924	115,964	3,358,457	48,520,936	939,333
Interfund receivable	(2,471,530)	1,460,683	-	-	(1,010,847)	1,010,847
Inventories	10,808,668	1,652,429	-	250,844	12,711,941	-
Prepaid expenses	426,269	606,052	-	-	1,032,321	324,907
Total unrestricted current assets	<u>114,713,647</u>	<u>35,144,288</u>	<u>10,637,184</u>	<u>17,459,516</u>	<u>177,954,635</u>	<u>21,294,595</u>
Restricted current assets						
Restricted cash and investments	69,953,230	38,320,252	3,724,385	1,052,818	113,050,685	-
Restricted accounts receivable	167,720	3,581,423	2,723	495	3,752,361	-
Collateral pledged in lieu of deposits	309,362	-	-	-	309,362	-
Total restricted current assets	<u>70,430,312</u>	<u>41,901,675</u>	<u>3,727,108</u>	<u>1,053,313</u>	<u>117,112,408</u>	<u>-</u>
Total current assets	<u>185,143,959</u>	<u>77,045,963</u>	<u>14,364,292</u>	<u>18,512,829</u>	<u>295,067,043</u>	<u>21,294,595</u>
Noncurrent assets						
Other assets	13,896,447	2,527,063	-	-	16,423,510	75
Capital assets	247,532,812	530,020,922	24,379,366	63,840,468	865,773,568	2,097,310
Total noncurrent assets	<u>261,429,259</u>	<u>532,547,985</u>	<u>24,379,366</u>	<u>63,840,468</u>	<u>882,197,078</u>	<u>2,097,385</u>
Total assets	<u>446,573,218</u>	<u>609,593,948</u>	<u>38,743,658</u>	<u>82,353,297</u>	<u>1,177,264,121</u>	<u>23,391,980</u>
Deferred outflows of resources						
Unamortized bond refunding charges	451,313	5,471,384	-	-	5,922,697	-
Total deferred outflows of resources	<u>451,313</u>	<u>5,471,384</u>	<u>-</u>	<u>-</u>	<u>5,922,697</u>	<u>-</u>
Liabilities and net position						
Current liabilities to be paid from unrestricted assets						
Accounts payable and accrued expenses	24,166,421	9,823,882	439,482	2,538,528	36,968,313	4,444,564
Current portion of long term debt	2,636,778	14,357,509	726,988	544,604	18,265,879	160,238
Total current liabilities to be paid from unrestricted assets	<u>26,803,199</u>	<u>24,181,391</u>	<u>1,166,470</u>	<u>3,083,132</u>	<u>55,234,192</u>	<u>4,604,802</u>
Current liabilities to be paid from restricted assets						
Accounts payable and accrued expenses	7,078,661	7,992,329	6,181	-	15,077,171	-
Unearned deposits	-	-	1,272,037	1,025	1,273,062	-
Total current liabilities to be paid from restricted assets	<u>7,078,661</u>	<u>7,992,329</u>	<u>1,278,218</u>	<u>1,025</u>	<u>16,350,233</u>	<u>-</u>
Total current liabilities	<u>33,881,860</u>	<u>32,173,720</u>	<u>2,444,688</u>	<u>3,084,157</u>	<u>71,584,425</u>	<u>4,604,802</u>
Noncurrent liabilities						
Unearned deposits	8,001	2,831,941	-	-	2,839,942	-
Net OPEB obligation	2,269,346	2,642,721	331,479	1,091,739	6,335,285	80,451
Unearned revenues	-	-	15,544	29,039	44,583	7,443
Long-term debt	10,482,603	133,322,954	8,925,448	-	152,731,005	447,203
Other liabilities	-	10,660,346	-	-	10,660,346	-
Total noncurrent liabilities	<u>12,759,950</u>	<u>149,457,962</u>	<u>9,272,471</u>	<u>1,120,778</u>	<u>172,611,161</u>	<u>535,097</u>
Total liabilities	<u>46,641,810</u>	<u>181,631,682</u>	<u>11,717,159</u>	<u>4,204,935</u>	<u>244,195,586</u>	<u>5,139,899</u>
Net position						
Net investment in capital assets	236,811,704	391,543,247	17,248,490	63,840,468	709,443,909	2,097,310
Restricted net position						
Capital projects	-	9,758	19,288	1,052,288	1,081,334	-
Debt service	57	107,957	-	-	108,014	-
Operating projects	-	-	1,020	-	1,020	-
Unrestricted	163,570,960	41,772,688	9,757,701	13,255,606	228,356,955	16,154,771
Total net position	<u>\$ 400,382,721</u>	<u>\$ 433,433,650</u>	<u>\$ 27,026,499</u>	<u>\$ 78,148,362</u>	<u>938,991,232</u>	<u>\$ 18,252,081</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business type activities.					2,740,585	
Net position of business-type activities					<u>\$ 941,731,817</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
Operating revenues						
Charges for services	\$ 217,853,786	\$ 74,492,496	\$ 5,268,914	\$ 7,602,266	\$ 305,217,462	\$ -
Other revenue from operations	-	-	14,762	361,199	375,961	8,680,383
Interfund charges and employee contributions	-	-	-	-	-	16,597,475
Miscellaneous operating revenue	-	-	-	-	-	1,104
Total operating revenues	<u>217,853,786</u>	<u>74,492,496</u>	<u>5,283,676</u>	<u>7,963,465</u>	<u>305,593,423</u>	<u>25,278,962</u>
Operating expenses						
General and administrative	16,634,485	16,367,538	-	-	33,002,023	-
Power supply and generation	163,175,003	-	-	-	163,175,003	-
Electric operation	15,475,385	-	-	-	15,475,385	-
Miscellaneous operating expense - water	-	-	-	-	-	-
Water operations	-	14,575,051	-	-	14,575,051	-
Wastewater operations	-	13,615,899	-	-	13,615,899	-
Salaries and employee benefits	-	-	2,071,012	10,169,127	12,240,139	334,233
Other operating expenses	-	-	1,475,468	8,887,151	10,362,619	23,752,981
Depreciation	15,657,252	18,830,452	818,961	4,912,402	40,219,067	183,765
Total operating expenses	<u>210,942,125</u>	<u>63,388,940</u>	<u>4,365,441</u>	<u>23,968,680</u>	<u>302,665,186</u>	<u>24,270,979</u>
Operating income (loss)	<u>6,911,661</u>	<u>11,103,556</u>	<u>918,235</u>	<u>(16,005,215)</u>	<u>2,928,237</u>	<u>1,007,983</u>
Nonoperating revenue (expense)						
Interest earned on investments	1,680,055	1,222,054	83,478	84,872	3,070,459	140,911
Federal and State grants	-	-	-	2,781,228	2,781,228	-
Passenger Facility Charges	-	-	-	-	-	-
Miscellaneous revenue	-	-	148,088	318,015	466,103	2,701
Gain (loss) on disposal of capital assets	(440,957)	(23,203)	7,659	151,248	(305,253)	1,432
County revenue	-	-	-	302,635	302,635	-
Vehicle fee revenue	-	-	-	839,060	839,060	-
Interest expense	(516,684)	(6,084,769)	(223,380)	(615)	(6,825,448)	-
Amortization	(253,073)	(461,226)	-	-	(714,299)	-
Miscellaneous expense	-	-	-	(440,668)	(440,668)	-
Issuance costs	(5,182)	(57,406)	-	-	(62,588)	-
Total nonoperating revenue (expense)	<u>464,159</u>	<u>(5,404,550)</u>	<u>15,845</u>	<u>4,035,775</u>	<u>(888,771)</u>	<u>145,044</u>
Income (loss) before transfers	<u>7,375,820</u>	<u>5,699,006</u>	<u>934,080</u>	<u>(11,969,440)</u>	<u>2,039,466</u>	<u>1,153,027</u>
Transfers in	20,847	4,358,970	-	9,436,571	13,816,388	731,797
Transfers out	(12,432,302)	(128,687)	-	-	(12,560,989)	(3,730,637)
Capital contributions	1,297,052	8,143,723	397,774	8,912,761	18,751,310	-
Change in net position	<u>(3,738,583)</u>	<u>18,073,012</u>	<u>1,331,854</u>	<u>6,379,892</u>	<u>22,046,175</u>	<u>(1,845,813)</u>
Total net position - beginning	<u>404,121,304</u>	<u>415,360,638</u>	<u>25,694,645</u>	<u>71,768,470</u>		<u>20,097,894</u>
Total net position - ending	<u>\$ 400,382,721</u>	<u>\$ 433,433,650</u>	<u>\$ 27,026,499</u>	<u>\$ 78,148,362</u>		<u>\$ 18,252,081</u>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

257,374

Change in net position of business-type activities

\$ 22,303,549

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
Operating activities						
Cash received from customers	\$ 216,417,043	\$ 73,877,981	\$ 5,539,228	\$ 8,607,602	\$ 304,441,854	\$ 24,960,368
Cash received for insurance reimbursements	-	-	-	-	-	245,616
Cash paid to or on behalf of employees for services	(18,340,399)	(19,438,178)	(1,992,720)	(9,678,150)	(49,449,447)	(2,804,532)
Cash paid for goods and services	(8,525,879)	(20,855,876)	(2,830,973)	(8,960,115)	(41,172,843)	(20,581,270)
Cash paid for power supply and generation	(163,175,003)	-	-	-	(163,175,003)	-
Net cash provided by (used in) operating activities	<u>26,375,762</u>	<u>33,583,927</u>	<u>715,535</u>	<u>(10,030,663)</u>	<u>50,644,561</u>	<u>1,820,182</u>
Noncapital financing activities						
Transfers in	20,847	4,358,970	-	9,436,571	13,816,388	731,797
Federal and State grants	-	-	-	2,781,228	2,781,228	-
Cost of debt issuance	-	-	-	-	-	-
Transfers out	(12,432,302)	(128,687)	-	-	(12,560,989)	(3,730,637)
Net cash provided (used) by noncapital financing activities	<u>(12,411,455)</u>	<u>4,230,283</u>	<u>-</u>	<u>12,217,799</u>	<u>4,036,627</u>	<u>(2,998,840)</u>
Capital and related financing activities						
Proceeds from sale of capital assets	274,047	79,112	7,659	174,372	535,190	1,432
Proceeds from debt issuance	-	-	-	-	-	-
Contributed capital received	1,297,052	3,359,875	-	4,102,481	8,759,408	-
Acquisition and construction of capital assets	(22,754,898)	(29,311,530)	(2,074,887)	(5,562,750)	(59,704,065)	(257,374)
Principal paid in debt maturities	(1,817,340)	(12,315,596)	(620,030)	(20,396)	(14,773,362)	-
Interest paid on debt maturities	(774,939)	(6,603,401)	(293,423)	(615)	(7,672,378)	-
Net cash provided (used) by capital and related financing activities	<u>(23,776,078)</u>	<u>(44,791,540)</u>	<u>(2,980,681)</u>	<u>(1,306,908)</u>	<u>(72,855,207)</u>	<u>(255,942)</u>
Investing activities						
Interest and dividends	1,680,055	1,222,054	83,478	84,872	3,070,459	140,911
Change in investments	(4,530,563)	(10,581,685)	-	-	(15,112,248)	-
Net cash provided (used) by investing activities	<u>(2,850,508)</u>	<u>(9,359,631)</u>	<u>83,478</u>	<u>84,872</u>	<u>(12,041,789)</u>	<u>140,911</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(12,662,279)</u>	<u>(16,336,961)</u>	<u>(2,181,668)</u>	<u>965,100</u>	<u>(30,215,808)</u>	<u>(1,293,689)</u>
Cash and cash equivalents/investments						
Beginning of year	<u>79,050,425</u>	<u>40,254,788</u>	<u>16,427,273</u>	<u>13,937,933</u>	<u>149,670,419</u>	<u>20,313,197</u>
End of year	<u>\$ 66,388,146</u>	<u>\$ 23,917,827</u>	<u>\$ 14,245,605</u>	<u>\$ 14,903,033</u>	<u>\$ 119,454,611</u>	<u>\$ 19,019,508</u>
Unrestricted cash and cash equivalents/investments	\$ 35,898,446	\$ 8,545,755	\$ 10,521,220	\$ 13,850,215	\$ 68,815,636	\$ 19,019,508
Restricted cash and equivalents/investments	30,489,700	15,372,072	3,724,385	1,052,818	50,638,975	-
Total cash and cash equivalents/investments	<u>\$ 66,388,146</u>	<u>\$ 23,917,827</u>	<u>\$ 14,245,605</u>	<u>\$ 14,903,033</u>	<u>\$ 119,454,611</u>	<u>\$ 19,019,508</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds				Total	Internal Service Funds
	Electric Fund	Water and Wastewater Fund	Storm Water Management Fund	Nonmajor Enterprise Funds		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 6,911,661	\$ 11,103,556	\$ 918,235	\$ (16,005,215)	\$ 2,928,237	\$ 1,007,983
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	15,657,252	18,830,452	818,961	4,912,402	40,219,067	183,765
Nonoperating payments for goods and services	-	-	148,088	(440,668)	(292,580)	-
Allowance for uncollectible accounts	(12,908)	(8,935)	-	-	(21,843)	-
Nonoperating receipts from customers	-	-	-	1,459,710	1,459,710	2,701
Gain (loss) on sale of capital assets	-	-	-	-	-	-
Change in assets and liabilities						
(Increase) decrease in accounts receivable	(1,439,802)	(605,580)	6,887	(804,916)	(2,843,411)	(70,417)
(Increase) decrease in inventory	498,201	46,100	-	(38,148)	506,153	-
(Increase) decrease in prepaid items	-	-	-	-	-	(11,815)
(Increase) decrease in internal balances	2,111,734	(1,948,925)	-	-	162,809	(162,809)
(Increase) decrease in other current assets	14,738	7,069	-	-	21,807	-
(Increase) decrease in other assets	(1,557,168)	8,254,849	-	-	6,697,681	(75)
(Increase) decrease in unearned deposits	1,705	73,126	100,577	-	175,408	-
(Increase) decrease in accounts payable and accrued liabilities	3,901,570	(1,746,289)	(1,355,505)	405,852	1,205,628	815,253
(Increase) decrease in accrued compensated absences	288,779	(421,496)	28,863	263,487	159,633	52,901
(Increase) decrease in unearned revenues	-	-	-	(10,657)	(10,657)	(5,262)
(Increase) decrease in Net OPEB Obligation	-	-	49,429	227,490	276,919	7,957
Total adjustments	19,464,101	22,480,371	(202,700)	5,974,552	47,716,324	812,199
Net cash provided by (used in) operating activities	\$ 26,375,762	\$ 33,583,927	\$ 715,535	\$ (10,030,663)	\$ 50,644,561	\$ 1,820,182
Noncash investing, capital, and financing activities						
Contributed capital assets	\$ -	\$ 4,527,425	\$ -	\$ -	\$ 4,527,425	\$ -
FIF Credits Awarded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FIF Credits Applied	\$ -	\$ 256,423	\$ -	\$ -	\$ 256,423	\$ -

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014**

	Pension Trust Fund	Private-purpose Trusts
Assets		
Cash and investments		
Cash and cash equivalents	\$ 2,972,380	\$ 1,371,380
Total cash and investments	<u>2,972,380</u>	<u>1,371,380</u>
Accounts receivable	1,313	2,409
Total assets	<u>2,973,693</u>	<u>1,373,789</u>
Liabilities		
Accounts payable	37,187	-
Total liabilities	<u>37,187</u>	<u>-</u>
Net position		
Held in Trust for pension benefits and other purposes	2,936,506	1,373,789
Total net position	<u>\$ 2,936,506</u>	<u>\$ 1,373,789</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014**

	Pension Trust Fund	Private-purpose Trusts
Additions		
Employer contributions	\$ 811,526	\$ -
Other contributions	-	125,124
Investment earnings	18,977	6,547
Total additions	<u>830,503</u>	<u>131,671</u>
Deductions		
Benefit payments and premiums	<u>578,501</u>	<u>134,971</u>
Total deductions	<u>578,501</u>	<u>134,971</u>
Change in net position	252,002	(3,300)
Total net position - beginning	<u>2,684,504</u>	<u>1,377,089</u>
Total net position - ending	<u>\$ 2,936,506</u>	<u>\$ 1,373,789</u>



2014

Notes to Financial Statements

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statements themselves.

The notes supplement the financial statements, are an integral part thereof, and are intended to be read together with the financial statements.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies

The City of Fayetteville, North Carolina (the "City") was established in 1783. The City operates under a council-manager form of government and provides the following services: administration, public safety, environmental protection, transportation, economic and physical development, recreation and community facilities, electric, water, wastewater and storm water utilities, transit, airport, and solid waste recycling. The City receives substantial revenues from Federal and State sources. Ad valorem taxes on the City of Fayetteville's citizens represent a significant portion of the general government revenues.

The financial statements of the City of Fayetteville, North Carolina have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A - Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units. GASB Statements number 14, 39 and 61 define component units as legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and a) it is able to impose its will on that organization or b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens upon, the primary government.

These statements provide two methods for reporting component units in the financial statements of the primary government: discrete presentation and blending. Discrete presentation means that data will be presented in one or more separate columns to the right of the primary government data columns. Blending means that the component unit's financial data is reported as though the unit is part of the primary government. If the units provide services or benefits exclusively, or almost exclusively, to the primary government, or if the component units and the primary government have "substantively identical boards," the legally separate component units should be incorporated by blending. If the units do not meet these criteria, their data should be incorporated by discrete presentation.

Based on evaluating these characteristics, the following is a brief review of the component units in the City's reporting entity:

City of Fayetteville Finance Corporation

The City of Fayetteville Finance Corporation is a non-profit corporation formed for the purpose of issuing bonds to build City facilities and park improvements, as well as for the defeasance and refunding of 1989 certificates of participation. The City leases the police administration building, Festival Park and Westover Recreation Center from the Corporation with rental revenues being used by the Corporation to retire the bonds. The Corporation is shown in a blended presentation as the Corporation provides services exclusively to the City. The operating fund of the Corporation is presented in the accompanying financial statements as a nonmajor special revenue fund.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

City of Fayetteville Linear Park, Inc.

The City of Fayetteville Linear Park, Inc. is a non-profit corporation formed for the purpose of assisting in the development of the Linear Park downtown. Linear Park, Inc. is shown in a blended presentation as it provides services exclusively to the City. Its operating fund is presented in the accompanying financial statements as a nonmajor special revenue fund.

B - Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The Government-wide Statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. Fiduciary funds are not included in these statements.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* are presented, even though the fiduciary is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, federal and state grants, and various other taxes and licenses. The primary expenditures are for public safety, parks and recreation, street maintenance, and solid waste. See page F-4 relating to the transfer of the street sweeping and environmental services operations functions to the Storm Water Management Fund and Environmental Services Fund, respectively.

The City reports the following nonmajor governmental funds:

Special Revenue Funds. Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. The Emergency Telephone System Fund accounts for the City's share of the State tax charged to telephone customers to fund the 911 system. The Federal and State Financial Assistance Fund accounts for federal and state grants. The City of Fayetteville Finance Corporation Fund accounts for debt service on certain municipal buildings and park improvements. The Linear Park Fund accounts for projects associated with development of the Linear Park downtown.

Capital Project Funds. Capital Project Funds account for financial resources to be used for the acquisition or construction of governmental capital assets. The General Government Fund accounts for information technology and other projects supporting the entire government. The Public Safety Fund accounts for projects supporting the public safety services provided by the City. The Transportation Fund accounts for projects to improve transportation and related services throughout the City. The Bond Improvement Fund accounts for bond proceeds and their use. The Economic and Physical Development Fund accounts for construction and improvement of various public facilities. The Recreational and Cultural Fund accounts for resources used for the acquisition and construction of facilities such as parks, recreation centers and museums. Resources are provided through intergovernmental revenues, facility financing proceeds and transfers from other funds.

The City reports the following major enterprise funds:

Electric Fund. This fund accounts for the operations and maintenance of the Butler-Warner Generation Plant and the transmission and distribution of electricity to customers within the City of Fayetteville and surrounding areas.

Water and Wastewater Fund. This fund accounts for the operations, transmission and distribution of water and wastewater for customers within the City of Fayetteville and surrounding areas.

The Electric Fund and the Water and Wastewater Fund are operated under the Public Works Commission (PWC) of the City of Fayetteville.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Storm Water Management Fund. This fund accounts for the operations and maintenance of storm water facilities for the customers within the City of Fayetteville. The street sweeping function has been transferred to the Storm Water Management Fund from the General Fund in this fiscal year. Street sweeping is considered to be a major component and best management practice of storm water management.

The City reports the following nonmajor enterprise funds: The Transit Fund accounts for operation of the municipal transit system. The Airport Fund accounts for the operation and capital asset acquisition and construction of the Fayetteville Regional Airport. The Environmental Services Fund accounts for specified fees, residential recycling services and capital asset acquisition. The management and operations function of the Environmental Services Fund has been transferred from the General Fund in this fiscal year. This nonmajor enterprise fund now accounts for all aspects of the Environmental Services Fund.

The City reports the following fund types:

Internal Service Funds. Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the City, on a cost reimbursement basis. The Insurance Fund is used to account for the accumulation and allocation of costs associated with health, workers compensation, and liability claims. The PWC Fleet Maintenance Fund accounts for the accumulation and allocation of costs associated with the City's and PWC's fleet maintenance activities.

Pension Trust Funds. These funds accumulate contributions in order to pay retirement benefits to eligible participants. The Special Separation Allowance Pension Trust Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, and public employee retirement system.

Private-Purpose Trust Funds. These funds are used to account for resources legally held in trust for use by others. The Police Benefit and Firemen's Benefit Trust Funds account for resources held in trust for these two groups of individuals. All resources of the funds, including any earnings on invested resources, may be used to support the organizations' activities. There is no requirement that any portion of these resources be preserved as capital.

C - Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The City's proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds' principal ongoing operations. The principal operating revenues of the City's utility funds are charges to customers for sales and services. Operating expenses for the City's utility funds include the costs of sales and services, general and administrative services and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual at June 30, since taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on all registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received.

Intergovernmental revenues and sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's electric, water and wastewater functions and various other functions of the government.

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first then unrestricted resources, as they are needed.

D – Budgetary Data

Budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, selected special revenue, and enterprise funds. All annual appropriations lapse at fiscal year end. Project and grant ordinances are adopted for the Federal and State Financial Assistance special revenue fund, Linear Park special revenue fund and capital project funds. Enterprise capital project funds are consolidated with the operating funds for reporting purposes. The City's internal service funds are intra-governmental service funds, which operate under financial plans that were adopted by the governing board at the time the City's budget ordinance was approved, as is required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the general, selected special revenue, and proprietary funds and at the project level for selected special revenue and capital project funds. Any revisions that alter total appropriations at the department or project level, as appropriate, of any fund must be approved by the City Council. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law (G.S. 159-31). The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

The City's investments with maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Electric and Water and Wastewater Funds consider demand deposits and investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Ad Valorem Taxes Receivable

In accordance with State law (G.S. 105-347 and G.S. 159-136(a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2013.

Receivables

The receivables in the utility funds consist primarily of customer receivables for utility services. The City provides allowances for uncollectible receivables equal to the estimated collection losses to be incurred. The estimated losses are computed using the experience method. The City grants credit to residential, business and industrial customers, substantially all of whom are local to the City of Fayetteville area.

Allowance for Uncollectible Receivables

The City recorded an allowance of \$3,239,486 in the federal and state financial assistance fund of which \$2,041,528 is related to loans associated with grants or other financial assistance that has been awarded. Many of these awarded loans are not expected to be collected and are scheduled to be forgiven based upon note compliance; therefore, they are included in the allowance for uncollectible receivables.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

The City operates enterprise funds that provide credit in the normal course of business to customers primarily located in Fayetteville, North Carolina. The City performs on-going credit evaluations of its customers and maintains allowances for doubtful accounts by using the experience method to estimate collection losses to be incurred. Credit losses, when realized, have been within the range of the City's estimations and historically have not been significant. Other receivables that historically experience uncollectible accounts are also shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

The receivables shown on the Statement of Net Position are presented net of the following allowances for doubtful accounts as of June 30, 2014:

Fund

General Fund:	
Taxes receivable	\$ 884,170
Accounts receivable	161,885
Assessments receivable	345,542
Special Revenue Fund:	
Notes receivable	3,239,486
Transit:	
Accounts receivable	40,580
Airport:	
Accounts receivable	4,419
Solid Waste Recycling:	
Accounts receivable	1,235
Electric Fund:	
Accounts receivable	246,205
Water and Wastewater Fund:	
Accounts receivable	56,923
Storm Water Management Fund:	
Accounts receivable	3,001
Total	<u>\$ 4,983,446</u>

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Interfund receivable" or "Interfund payable" on the balance sheet in the fund financial statements and as "internal balances" on the statement of net position in the government-wide financial statements.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Inventories

Governmental inventories of supplies are valued at cost. Other inventories are valued at the lower of average cost or market. The costs of governmental fund-type inventories, which consist of materials and supplies, are recorded as expenditures when they are consumed rather than when they are purchased. The costs of enterprise fund-type inventories, which consist of generation fuel, materials and spare parts, are expensed when used rather than when purchased.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid items.

Restricted Assets, Restricted Liabilities and Restricted Net Position

In the general, special revenue, capital project and enterprise funds, the City has classified as restricted the assets representing deposits, reserves, capital project appropriations, advance grant funding and unexpended bond proceeds because their use is completely restricted to the purpose for which the bonds were issued or the purpose for which the funds were set aside. Liabilities due to be repaid from restricted assets are classified as restricted liabilities. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through state statute reduced by liabilities and deferred inflows of resources related to those assets.

At June 30, 2014, the Governmental Activities had restricted assets offset by restricted liabilities related to those assets and unspent bond proceeds, resulting in restricted net position of \$33,629,548. The purposes of the restrictions are the same as the corresponding descriptions of restricted fund balance on pages F-14 and F-15. The restriction for "Recreational and Cultural" incorporates restrictions for county recreation and other recreation and community facilities. Restrictions for Downtown and Lake Valley Drive MSD are created by enabling legislation. Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening local streets per G.S. 136-41.1 through 136-41.4.

Business type activities include the following restrictions on net position at June 30, 2014. The Electric Fund and Water/Wastewater Fund had restricted the assets representing deposits, reserves, capital project appropriations and unexpended bond proceeds, because their use is completely restricted to the purpose for which the bonds were issued or the purpose for which the funds were set aside. Liabilities due to be paid from restricted assets are classified as restricted liabilities. The Storm Water Fund had restricted assets offset by restricted liabilities related to those assets and unspent bond proceeds, resulting in restricted net position of \$20,308. The Airport Fund had restricted assets offset by restricted liabilities related to those assets and unspent grant proceeds, resulting in restricted net position of \$1,052,288.

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

	<u>Externally Restricted</u>	<u>Internally Restricted</u>
Governmental Activities		
Restricted Cash and Investments		
General Fund		
For downtown	\$ 34,494	\$ -
For county recreation	4,783,784	-
Unexpended donations	21,983	-
For Lake Valley Drive MSD	134	-
Federal and State Financial Assistance Fund		
Unexpended grant proceeds	650,587	-
Unexpended donations	55,137	-
Transportation Fund		
For downtown	47,929	-
For Powell Bill	162,574	-
Economic and Physical Development Fund		
Unexpended debt proceeds	503,480	-
Recreational and Cultural Fund		
Unexpended grant proceeds	1,800,922	-
Total governmental activities - restricted cash and investments	<u>\$ 8,061,024</u>	<u>\$ -</u>
Restricted Prepaid Expense		
Emergency Telephone System Fund		
Unexpended lease proceeds	\$ 486,869	\$ -
Public Safety Fund		
Unexpended lease proceeds	3,450,845	-
Total governmental activities - restricted prepaid expense	<u>\$ 3,937,714</u>	<u>\$ -</u>
Restricted Receivables		
Federal and State Financial Assistance Fund		
Unexpended grant proceeds	\$ 476	\$ -
Unexpended donations	17	-
Recreational and Cultural Fund		
Unexpended grant proceeds	1,050	-
Total governmental activities - restricted accounts receivable	<u>\$ 1,543</u>	<u>\$ -</u>
Restricted Accounts Payable		
Federal and State Financial Assistance Fund		
Unexpended grant proceeds	\$ 10,735	\$ -
Transportation Fund		
For downtown	38,303	-
Recreational and Cultural Fund		
Unexpended grant proceeds	32,100	-
Total governmental activities - restricted accounts accounts payable	<u>\$ 81,138</u>	<u>\$ -</u>

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Business Type Activities	Externally Restricted	Internally Restricted
Restricted Cash and Investments		
Electric Fund		
Rate Stabilization Fund Cash	\$ -	\$ 21,622,755
NC Renewable Rider	-	5,446,518
Customer Deposits	-	2,606,279
Debt Service	57	814,091
Total Electric cash and cash equivalents	57	30,489,643
Investments	-	39,463,530
Collateral pledged in lieu of deposits	-	309,362
Water and Wastewater Fund		
Rate Stabilization Fund Cash	-	2,571,271
Customer Deposits	-	1,950,495
Debt Service	107,957	8,043,994
Annexation Phase V Reserve Fund Cash	-	2,301,148
Gross Receipts Tax - Ft Bragg	-	397,207
Total Water and Wastewater cash and cash equivalents	107,957	15,264,115
Investments	1,631,977	21,316,203
Storm Water Fund		
Unexpended bond proceeds	2,429,602	-
Unearned bond deposits	1,272,037	-
For maintenance	1,021	-
Unearned grant proceeds	21,725	-
Total Storm Water cash and investments	3,724,385	-
Airport Fund		
Unexpended grant proceeds	1,052,818	-
Total Airport cash and investments	1,052,818	-
Total business type activities - restricted cash and investments	\$ 6,517,194	\$ 106,533,491
Restricted Collateral Pledged in Lieu of Deposits		
Total business type activities - restricted collateral pledged in lieu of deposits	\$ -	\$ 309,362
Restricted Accounts Receivable		
Electric Fund		
Grants	\$ -	\$ 596
Accrued interest	-	167,124
Total Electric accounts receivable	-	167,720
Water and Wastewater Fund		
Accounts	-	3,391,694
Sales taxes	-	178,272
Grants	-	596
Accrued interest	9,758	1,103
Total Water and Wastewater accounts receivable	9,758	3,571,665
Storm Water Fund		
Sales tax	2,723	-
Total Storm Water accounts receivable	2,723	-
Airport Fund		
Accounts receivable	495	-
Total Airport accounts receivable	495	-
Total business type activities - restricted accounts receivable	\$ 12,976	\$ 3,739,385
Restricted Accounts Payable		
Electric Fund		
Trade	\$ -	\$ 6,788,789
Other	-	289,872
Total Electric accounts payable	-	7,078,661
Water and Wastewater Fund		
Trade	-	4,675,504
Meter Deposits	-	2,777,544
Interest	-	16,085
Other	-	523,196
Total Water and Wastewater accounts payable	-	7,992,329
Storm Water Fund		
Unearned grant proceeds	6,181	-
Total Storm Water accounts payable	6,181	-
Total business type activities - restricted accounts payable	\$ 6,181	\$ 15,070,990

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$2,500 in the Electric and Water and Wastewater Funds) and an estimated useful life in excess of one year. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 and storm water network assets acquired prior to July 1, 2004 are reported at estimated historical cost using deflated current cost. Utility (electric, water, and wastewater) capital assets purchased or constructed since 1958 are recorded at cost. Contributed utility assets are recorded at estimated value at the date of acquisition. Utility assets acquired prior to 1958 are carried on an estimated cost basis. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Gains and losses on dispositions of capital assets are credited or charged to operations.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (Years)</u>
Infrastructure	15 – 60
Buildings	40
Utility plant systems	20 – 45
Improvements	5 – 15
Vehicles	5 – 20
Furniture and equipment	5 – 10
Computer software	3
Computer equipment	3

Depreciation includes amortization of intangible assets. Interest expense that relates to the cost of acquiring or constructing capital assets in enterprise funds is capitalized. Interest expense incurred in connection with construction of capital assets is reduced by interest earned on the investment of funds borrowed for construction in accordance with GASB 62.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, unamortized bond refunding charges for the Governmental and Electric, Water and Wastewater refunding bonds. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has only one item that meets the criterion for this category on the statement of net position – prepaid taxes. The City's governmental funds balance sheet has four items that meet the criterion for this category - taxes receivable, accounts receivable, assessment receivable and prepaid taxes.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Unearned Deposits

Facility investment fee credits are given on a dollar per dollar basis for off-site water and wastewater approach mains necessary to serve City approved projects. The facility investment fee credit, if not utilized in the initial development, will be available to the developer for use in other City approved projects for a period not to exceed 5 years from the original contract date, unless otherwise stated in the contract or through extension approved by the City.

Compensated Absences

The vacation policy of the City provides for the accumulation of up to seven (7) weeks earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences, including compensatory time and holiday pay, and the salary-related payments are recorded as the leave is earned.

The City's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is actually taken, no accrual for that sick leave has been made. However, the City's sick leave policy for Electric and Water and Wastewater Fund employees allows 25% of accumulated sick leave to be paid at the time of retirement. A liability for the estimated amount of this sick leave to ultimately be paid is included in the financial statements.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

At June 30, 2014, the City recorded as other liabilities in the government-wide financial statements, \$760,500 for an advance from the Electric Rate Stabilization Fund to the Water/Wastewater Fund, \$362,741 for the non-current portion in advance payments from Fort Bragg for gross receipt taxes, \$331,163 for the non-current portion due to the Department of Transportation, \$1,531,400 for the non-current portion in advance from the Electric Rate Stabilization Fund to the Annex Phase V Reserve and \$7,676,000 loan advancement from the Electric Rate Stabilization Fund to the Electric, Water and Waterwater funds, offset by applicable adjustments.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance - consists of funds that cannot be spent due to their form (e.g. inventories and prepaid amounts) or funds that legally or contractually must be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance of inventories, which are not spendable resources.

Restricted Fund Balance - consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Restricted for Stabilization by State Statute - portion of fund balance which is not available for appropriation under State law (G.S. 159-8(a)).

Restricted for Powell Bill – portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Restricted for downtown - portion of fund balance available for appropriation for projects in the Central Business District.

Restricted for county recreation – portion of fund balance available to pay for the recreational activities of Cumberland County.

Restricted for donations - portion of fund balance that is not available for appropriation because it represents donor-imposed restrictions.

Restricted for Lake Valley Drive MSD - portion of fund balance available to pay for drainage improvements in the Lake Valley Drive Municipal Service District.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Restricted for public safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures, external grantors and a prepaid expense for the 800MHz lease.

Restricted for economic and physical development – portion of fund balance restricted for parking deck expenditures.

Restricted for recreation and community facilities – portion of fund balance restricted by external grantor for the Veterans Park project.

Committed Fund Balance - consists of funds that have been set aside for a specific purpose by formal action by the City's highest level of decision making authority (City Council) and that remain binding unless removed in the same manner prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds. Any changes or removal of committed funds requires the passage of a resolution by a simple majority vote.

Assigned Fund Balance - consists of funds that are set aside with the intent to be used for a specific purpose by the City's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. The City's fund balance policy delegates the authority to assign funds to the City Manager.

Subsequent year's expenditures - portion of fund balance that is appropriated in the adopted 2014 - 2015 budget ordinance that is not already classified as restricted or committed.

Special purpose - portion of fund balance identified for specific uses in the general fund and special revenue funds. The amount reflects Council assigned funding for future transportation and technology projects, fire equipment and land, a revolving loan fund, and transit and parks and recreation activities; and, City Manager assigned funding for initiatives to be completed in future years.

Capital projects - portion of fund balance that is assigned to capital related projects.

Unassigned Fund Balance - consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

Fund Balance Policy

The City of Fayetteville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

The City of Fayetteville has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the City in such a manner that unassigned fund balance is at least 10% of the succeeding year's general fund expenditure budget, excluding the budget for the County Recreation Program. In the event that the balance drops below the established minimum level, the City Council will develop a plan to replenish the fund balance to the established minimum level within two years.

F - Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G - Upcoming Pronouncements

GASB Statement No. 68, "Accounting and Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 27." This statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68", replaces the requirements of Statement No. 68. This Statement addresses the issue of the potential understatements that would occur when transitioning to Statement 68. When transitioning, contributions to defined benefit pension plans made after the plan's measurement date and before the end of the fiscal year that Statement 68 is implemented, must be recognized as deferred outflows of resources. Statement No. 71 must be implemented in conjunction with Statement No. 68. The guidance in this Statement will be effective for periods beginning after June 15, 2014.

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (continued)

H – Pronouncements Implemented

GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.” This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively.

Note 2 - Cash, Cash Equivalents and Investments

A - Deposits

All of the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Depository Insurance coverage level are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The City relies on the State Treasurer to monitor those financial institutions for compliance. The City analyzes the financial soundness of any other financial institution used by the City. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The City's policy for custodial credit risk associated with deposits is to comply with the applicable North Carolina General Statutes.

The City places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. The City from time to time may have amounts on deposit in excess of the insured amounts.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 2 - Cash, Cash Equivalents and Investments (continued)

At June 30, 2014, the City's demand deposits had a carrying amount of \$71,487,472 and a bank balance of \$77,454,217. Of the bank balance, Federal Deposit Insurance covered \$752,560, and \$76,701,657 was covered by collateral under the Pooling Method.

At June 30, 2014, the City had certificates of deposit totaling \$21,425,375. Of this amount, Federal Deposit Insurance covered \$250,000, and \$21,175,375 was covered by collateral under the Pooling Method.

The City had \$13,675 in the petty cash and change funds.

B – Investments

The funds of the City of Fayetteville are invested in compliance with the provisions of North Carolina General Statutes 159-30 and 159-31. The City's Investment Policy is a board-approved policy.

At June 30, 2014, the City investment balances were as follows:

	Fair Value	Less than 6			
		Months	6 Mos - 1 Yr	1-5 Years	5-10 Years
U.S. Government Agencies	\$ 96,178,809	\$ -	\$ -	\$ 68,235,157	\$ 27,943,652
Commercial Paper	73,502,628	70,508,136	2,994,492	-	-
N.C. Capital Management Trust - Cash portfolio	22,736,423	22,736,423	-	-	-
N.C. Capital Management Trust - Term portfolio	31,423,168	31,423,168	-	-	-
Total Primary Government	<u>223,841,028</u>	<u>124,667,727</u>	<u>2,994,492</u>	<u>68,235,157</u>	<u>27,943,652</u>
Reporting Entity Total	<u>\$ 223,841,028</u>	<u>\$ 124,667,727</u>	<u>\$ 2,994,492</u>	<u>\$ 68,235,157</u>	<u>\$ 27,943,652</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides for structuring the investment portfolio so that securities mature to meet cash requirements for the ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Also the City's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities other than Treasuries, Agencies, and North Carolina state and local bonds to a final maturity of no more than three years.

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 2 - Cash, Cash Equivalents and Investments (continued)

Credit Risk. The City has no formal policy regarding credit risk; however, the State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City minimizes credit risk by limiting investments to the types allowed by North Carolina General Statutes 159-30. The City diversifies the investment portfolio to minimize the impact of potential losses from any one security or from any one individual issuer. Also, the City pre-qualifies the financial institutions' brokers/dealers and requires them to meet specific financial and registration conditions. As of June 30, 2014, the City's commercial paper was rated P1 by Moody's Investors Service and A1 by Standard & Poor's. The City's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's and the NC Capital Management Trust Term Portfolio was unrated as of June 30, 2014. The City's investments in US Agencies (Federal Home Loan Bank, Fannie Mae, Freddie Mac and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of June 30, 2014.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City requires that investment securities are in the name of the City of Fayetteville and are held by a centralized independent third-party custodian. The City requires that the independent third-party custodian issue a safekeeping receipt to the Chief Financial Officer listing the specific instrument, rate, maturity, and other pertinent information as evidence. All investment security purchases and sales are on a delivery verses payment basis and are made through the independent third-party custodian by written instruction.

Concentration of Credit Risk. The City places no limit on the amount that the City may invest in any one issuer. More than 5% of the City's investments are in Federal Home Loan Bank securities, Fannie Mae securities, Natixis US Finance commercial paper and DCAT LLC commercial paper. These investments are 26.36%, 11.62%, 8.28%, and 6.70% respectively, of the City's total investments.

Reconciliation to cash and investments:

Totals per footnote:

Total investments (including escrow)	\$ 223,841,028
Cash (demand deposits)	71,487,472
Certificates of Deposit	20,064,674
Fireman's Relief Fund Certificate of Deposit	1,360,701
Petty cash	13,675
Total cash and investments	<u>\$ 316,767,550</u>

Totals per Statement of Net Assets:

Cash and investments - unrestricted	\$ 191,312,081
Cash and investments - restricted	121,111,709
Pension trust cash and investments	2,972,380
Private-purpose trust cash and investments	1,371,380
Total cash and investments	<u>\$ 316,767,550</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

Primary Government

Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Governmental activities:					
Capital assets not being depreciated:					
Land and land rights	\$ 38,220,387	\$ 774,124	\$ -	\$ -	\$ 38,994,511
Construction in progress	3,131,219	3,413,651	-	(3,131,217)	3,413,653
Total capital assets not being depreciated	41,351,606	4,187,775	-	(3,131,217)	42,408,164
Capital assets being depreciated:					
Infrastructure	449,740,689	4,485,626	-	791,607	455,017,922
Buildings and improvements	102,499,763	795,991	-	1,626,854	104,922,608
Equipment, furniture and fixtures	25,284,802	1,296,179	(145,574)	(756,876)	25,678,531
Computer software	4,959,858	299,475	-	(58,488)	5,200,845
Vehicles	43,485,627	1,506,287	(754,938)	(10,265,376)	33,971,600
Total capital assets being depreciated	625,970,739	8,383,558	(900,512)	(8,662,279)	624,791,506
Less accumulated depreciation for:					
Infrastructure	(201,171,397)	(12,844,204)	-	-	(214,015,601)
Buildings and improvements	(37,705,510)	(3,558,516)	-	639,212	(40,624,814)
Equipment, furniture and fixtures	(20,565,320)	(1,635,738)	141,498	540,325	(21,519,235)
Computer software	(4,310,937)	(185,223)	-	58,488	(4,437,672)
Vehicles	(27,001,278)	(2,363,561)	754,938	5,347,417	(23,262,484)
Total accumulated depreciation	(290,754,442)	\$ (20,587,242)	\$ 896,436	\$ 6,585,442	(303,859,806)
Total capital assets being depreciated, net	335,216,297				320,931,700
Governmental activity capital assets, net	\$ 376,567,903				\$ 363,339,864

Administration	\$ 406,750
Public safety	3,741,832
Environmental protection	206,301
Transportation	13,312,606
Economic and physical development	1,002,264
Recreation and community facilities	1,733,724
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the funds	183,765
Total depreciation expense	\$ 20,587,242

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3 - Capital Assets (continued)

* Disposals in construction in progress are shown as additions to capital assets being depreciated.

	Balance July 1, 2013	Increases	Decreases *	Transfers	Balance June 30, 2014
Business-type activities:					
Electric Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 6,195,252	\$ 1,036	\$ -	\$ 260,962	\$ 6,457,250
Construction in progress	17,416,812	22,441,953	(1,711,919) *	(18,107,556)	20,039,290
Total capital assets not being depreciated	23,612,064	22,442,989	(1,711,919)	(17,846,594)	26,496,540
Capital assets being depreciated:					
Electric utility system	401,403,830	277,315	(1,629,023)	14,198,772	414,250,894
Buildings	44,078,225	36,001	-	481,051	44,595,277
Equipment and machinery	17,065,905	172,916	(208,013)	337,755	17,368,563
Intangibles	11,488,955	7,650	-	2,829,016	14,325,621
Computer equipment	4,276,957	264,097	(522,842)	(5,515)	4,012,697
Vehicles	6,657,575	834,590	(135,198)	2,550	7,359,517
Office equipment	1,237,124	95,478	(9,857)	-	1,322,745
Total capital assets being depreciated	486,208,571	1,688,047	(2,504,933)	17,843,629	503,235,314
Less accumulated depreciation for:					
Electric utility system	(224,878,117)	(12,745,629)	1,343,288	-	(236,280,458)
Buildings	(18,051,863)	(1,114,868)	-	-	(19,166,731)
Equipment and machinery	(8,977,612)	(606,603)	198,472	-	(9,385,743)
Intangibles	(9,264,204)	(274,088)	-	-	(9,538,292)
Computer equipment	(3,070,021)	(360,907)	522,844	4,504	(2,903,580)
Vehicles	(3,468,837)	(520,721)	119,190	(4,519)	(3,874,887)
Office equipment	(1,024,566)	(34,435)	9,650	-	(1,049,351)
Total accumulated depreciation	(268,735,220)	\$ (15,657,251)	\$ 2,193,444	\$ (15)	(282,199,042)
Total capital assets being depreciated, net	217,473,351				221,036,272
Electric fund capital assets, net	\$ 241,085,415				\$ 247,532,812

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3 - Capital Assets (continued)

	Balance July 1, 2013	Increases	Decreases *	Transfers	Balance June 30, 2014
Business-type activities:					
Water and Wastewater Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 9,689,539	\$ 54,373	\$ -	\$ 212,909	\$ 9,956,821
Construction in progress	24,844,970	37,069,375	-	(25,955,305)	35,959,040
Total capital assets not being depreciated	<u>34,534,509</u>	<u>37,123,748</u>	<u>-</u>	<u>(25,742,396)</u>	<u>45,915,861</u>
Capital assets being depreciated:					
Water system	291,418,901	232,606	-	10,843,599	302,495,106
Sewer system	442,274,412	304,218	(1,136)	12,069,782	454,647,276
Buildings	5,202,387	121,066	-	-	5,323,453
Equipment and machinery	10,824,983	570,898	(95,462)	21,967	11,322,386
Intangibles	8,685,033	16,150	-	2,829,016	11,530,199
Computer equipment	3,716,221	235,006	(524,473)	5,515	3,432,269
Vehicles	6,923,456	523,025	(119,632)	(24,518)	7,302,331
Office equipment	488,496	-	(6,805)	-	481,691
Total capital assets being depreciated	<u>769,533,889</u>	<u>2,002,969</u>	<u>(747,508)</u>	<u>25,745,361</u>	<u>796,534,711</u>
Less accumulated depreciation for:					
Water system	(112,555,423)	(7,408,352)	-	-	(119,963,775)
Sewer system	(155,994,074)	(9,555,371)	156	-	(165,549,289)
Buildings	(2,778,406)	(123,424)	-	-	(2,901,830)
Equipment and machinery	(7,661,743)	(692,128)	78,770	-	(8,275,101)
Intangibles	(8,471,136)	(186,224)	-	-	(8,657,360)
Computer equipment	(2,908,935)	(283,465)	524,470	(4,504)	(2,672,434)
Vehicles	(3,524,522)	(570,677)	119,634	4,519	(3,971,046)
Office equipment	(434,810)	(10,810)	6,805	-	(438,815)
Total accumulated depreciation	<u>(294,329,049)</u>	<u>\$ (18,830,451)</u>	<u>\$ 729,835</u>	<u>\$ 15</u>	<u>(312,429,650)</u>
Total capital assets being depreciated, net	<u>475,204,840</u>				<u>484,105,061</u>
Water and Wastewater fund capital assets, net	<u>\$ 509,739,349</u>				<u>\$ 530,020,922</u>

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3 - Capital Assets (continued)

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Business-type activities (continued):					
Storm Water Management Fund					
Capital assets not being depreciated:					
Land and land rights	\$ 246,006	\$ 10,571	\$ -	\$ -	\$ 256,577
Construction in progress	4,146,768	1,847,275	-	(4,224,198)	1,769,845
Total capital assets not being depreciated	<u>4,392,774</u>	<u>1,857,846</u>	<u>-</u>	<u>(4,224,198)</u>	<u>2,026,422</u>
Capital assets being depreciated:					
Infrastructure	33,237,591	49,169	-	4,224,198	37,510,958
Furniture, fixtures and equipment	1,040,786	237,913	-	1,102,317	2,381,016
Computer software	6,941	-	-	-	6,941
Vehicles	1,056,072	-	(118,684)	118,684	1,056,072
Total capital assets being depreciated	<u>35,341,390</u>	<u>287,082</u>	<u>(118,684)</u>	<u>5,445,199</u>	<u>40,954,987</u>
Less accumulated depreciation for:					
Infrastructure	(15,745,376)	(516,841)	-	-	(16,262,217)
Furniture, fixtures and equipment	(606,366)	(233,652)	-	(453,236)	(1,293,254)
Computer software	(6,247)	(696)	-	-	(6,943)
Vehicles	(720,548)	(67,774)	118,684	(369,991)	(1,039,629)
Total accumulated depreciation	<u>(17,078,537)</u>	<u>\$ (818,963)</u>	<u>\$ 118,684</u>	<u>\$ (823,227)</u>	<u>(18,602,043)</u>
Total capital assets being depreciated, net	<u>18,262,853</u>				<u>22,352,944</u>
Storm Water Management fund capital assets, net	<u>\$ 22,655,627</u>				<u>\$ 24,379,366</u>

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3 - Capital Assets (continued)

* Disposals in construction in progress for the Electric, Water and Wastewater funds are shown as additions to capital assets being depreciated.

** Depreciation includes amortization of intangible assets.

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Business-type activities (continued):					
Nonmajor enterprise funds					
Capital assets not being depreciated:					
Land and land rights	\$ 4,904,187	\$ 287,754	\$ -	\$ -	\$ 5,191,941
Construction in progress	6,288,190	2,786,456	-	-	9,074,646
Total capital assets not being depreciated	11,192,377	3,074,210	-	-	14,266,587
Capital assets being depreciated:					
Infrastructure	412,292	123,666	-	-	535,958
Buildings and improvements	73,840,310	639,902	-	712,756	75,192,968
Furniture, fixtures and equipment	4,623,622	97,757	-	87,089	4,808,468
Computer software	289,880	4,000	-	58,488	352,368
Vehicles	11,849,846	1,623,214	(867,637)	9,714,161	22,319,584
Total capital assets being depreciated	91,015,950	2,488,539	(867,637)	10,572,494	103,209,346
Less accumulated depreciation for:					
Infrastructure	(12,808)	(12,155)	-	-	(24,963)
Buildings and improvements	(36,212,148)	(3,001,124)	-	(639,212)	(39,852,484)
Furniture, fixtures and equipment	(3,183,638)	(298,535)	-	(87,089)	(3,569,262)
Computer software	(132,095)	(75,746)	-	(58,488)	(266,329)
Vehicles	(4,264,674)	(1,524,842)	844,515	(4,977,426)	(9,922,427)
Total accumulated depreciation	(43,805,363)	\$ (4,912,402)	\$ 844,515	\$ (5,762,215)	(53,635,465)
Total capital assets being depreciated, net	47,210,587				49,573,881
Nonmajor enterprise fund capital assets, net	\$ 58,402,964				\$ 63,840,468
Business-type activities capital assets, net	\$ 831,883,355				\$ 865,773,568

Depreciation expense was charged to business-type activities of the primary government as follows:

Electric	\$ 15,657,251
Water and Wastewater	18,830,451
Storm Water Management	818,963
Transit	1,192,675
Airport	3,160,151
Environmental Services	559,576
Total depreciation expense	\$ 40,219,067

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 4 – Accounts Payable

Unrestricted and restricted accounts payable and accrued expenses consist of the following as of June 30, 2014:

	General	Nonmajor Governmental	Internal Service	Subtotal	Electric	Water and Wastewater	Storm Water Management	Nonmajor Enterprise	Fiduciary
Accounts payable	\$ 4,336,954	\$ 288,699	\$ 1,609,419	\$ 6,235,072	\$ 29,429,691	\$ 14,050,192	\$ 250,032	\$ 713,040	\$ -
Incurred but not reported	-	-	2,835,145	2,835,145	1,060,406	1,060,406	-	-	-
Contracts payable	-	273,066	-	273,066	-	-	-	1,173,333	-
Interest payable	-	-	-	-	170,484	1,906,925	119,653	7	-
Retainage payable	-	-	-	-	-	-	-	272,381	-
Salaries and benefits payable	4,306,952	11,214	-	4,318,166	584,501	798,688	75,978	379,767	37,187
Total	<u>\$ 8,643,906</u>	<u>\$ 572,979</u>	<u>\$ 4,444,564</u>	<u>13,661,449</u>	<u>\$ 31,245,082</u>	<u>\$ 17,816,211</u>	<u>\$ 445,663</u>	<u>\$ 2,538,528</u>	<u>\$ 37,187</u>
Adjustment for interest payable				312,587					
				<u>\$ 13,974,036</u>					
Reconciliation to accounts payable on the financial statements:									
Unrestricted	\$ 8,643,906	\$ 491,841	\$ 4,444,564	\$ 13,580,311	\$ 24,166,421	\$ 9,823,882	\$ 439,482	\$ 2,538,528	\$ 37,187
Restricted	-	81,138	-	81,138	7,078,661	7,992,329	6,181	-	-
	<u>\$ 8,643,906</u>	<u>\$ 572,979</u>	<u>\$ 4,444,564</u>	<u>13,661,449</u>	<u>\$ 31,245,082</u>	<u>\$ 17,816,211</u>	<u>\$ 445,663</u>	<u>\$ 2,538,528</u>	<u>\$ 37,187</u>
Adjustment for interest payable				312,587					
				<u>\$ 13,974,036</u>					

Note 5 - Long-Term Obligations

A - General Obligation Indebtedness

The City has issued general obligation bonds (to include general obligation bonds for the benefit of the Electric and Water and Wastewater funds) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing power of the City. They are serviced by the general fund and the water and wastewater fund. Principal and interest payments are appropriated when due. General obligation bonds outstanding for the year ended June 30, 2014, are as follows:

Governmental activities

\$5,535,000 Refunding Bonds, Series 2002 due in various annual installments through June 1, 2016; interest at various rates between 3.75% and 4.0%.	\$ 565,000
\$8,450,000 Public Improvement Bonds, Series 2005 due in various semiannual installments through June 1, 2025; interest at various rates between 3.7% and 4.25%.	4,625,000
\$7,896,115 Refunding Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 4.0% and 5.0%.	<u>2,771,696</u>
	7,961,696
Add: Unamortized Premium	<u>269,012</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 - Long-Term Obligations (continued)

Total governmental general obligation bonds	\$ <u>8,230,708</u>
Business-type activities	
\$3,625,000 Street Improvement Bonds, Series 2002 due in various annual installments through June 1, 2021; interest at various rates between 4.00% and 4.5%.	1,425,000
\$4,403,885 Refunding Bonds, Series 2009 due in various annual installments through March 1, 2021; interest at various rates between 4.0% and 5.0%.	<u>1,813,303</u>
	3,238,303
Add: Unamortized Premium	<u>172,951</u>
Total business-type general obligation bonds	<u>3,411,254</u>
Total general obligation bonds	\$ <u>11,641,962</u>

B - Revenue Bonds

The City has issued revenue bonds, which have been used to finance the construction of facilities used in the City's operations. Resources generated by the facilities' operations are retiring the bonds. Revenue bonds outstanding for the year ended June 30, 2014, are as follows:

Governmental activities:

\$5,835,000 Municipal Building Project Refunding Bonds, Series 2005, due in various annual installments through February 1, 2018; interest at various rates between 5.0% and 5.25%.	\$ 1,950,000
\$2,685,000 Municipal Building Project Bonds, Series 2005, for the construction of Westover Recreation Center due in various annual installments through February 1, 2019; interest at various rates between 5.0% and 5.25%	<u>950,000</u>
	2,900,000
Add: Unamortized Premium	216,139
Total governmental revenue bonds	<u>3,116,139</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 - Long-Term Obligations (continued)

Business-type activities

\$17,025,000 Revenue Bonds, Series 2008 due in various annual installments through March 1, 2023; interest at various rates between 3.75% and 4.5%.	\$ 13,425,000
\$114,155,000 Revenue Refunding Bonds, Series 2009A due in various annual installments through March 1, 2024; interest at 5.0%.	69,785,000
\$36,710,000 Revenue Bonds, Series 2009B due in various annual installments through March 1, 2035; interest at various rates between 4.0% and 5.0%.	33,695,000
\$10,595,000 Storm Water Revenue Bonds, Series 2011 due in various annual installments through August 1, 2026; interest at 3.135%.	<u>9,160,000</u>
Total business-type revenue bonds	126,065,000
Add: Unamortized Premium	10,583,360
Less: Unamortized Discount	<u>(20,784)</u>
Total revenue bonds	<u>\$ 136,627,576</u>

Interest expense related to the revenue and general obligation bonds totaled \$7,053,967 for the year ended June 30, 2014 and of that amount, \$785,144 was capitalized during the year.

The City has pledged future electric, water and wastewater customer revenues, net of specified operating expenses, to repay \$167,890,000 in revenue and revenue refunding bonds issued at various times from 2008 through 2010. Proceeds from the bonds provided financing for extensions, additions and capital improvements to or the renewal and replacement of capital assets of, or purchasing and installing new equipment for, the electric, water, and wastewater systems. The bonds are payable solely from electric, water and wastewater customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$151,661,162. Principal and interest paid for the current year and total customer revenues were \$17,946,225 and \$292,346,282, respectively.

The revenue bond order contains significant covenants respecting annual debt service requirements, use of the system and minimum revenue bond coverage, and requires that a reserve fund be established and maintained for the 2008 bonds. The reserve fund requirements have been met by the City through funding a reserve fund account and the purchase of surety bonds in full amount of the bond requirement. The City is in compliance with all such significant covenants at June 30, 2014.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 - Long-Term Obligations (continued)

The City issued the 2011 series of Storm Water System revenue bonds in August 2011 to acquire, construct and equip various improvements to the City's natural and structural storm water and drainage system, including, without limitation, erosion control projects, drainage projects, culverts, outfalls and the acquisition of any related land, rights of way and equipment. With these bonds, the City pledges income derived from the operation of the storm water system to pay debt service. Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2014
Series 2011 Storm water System	3.135%	8/11/2011	8/1/2026	\$ 10,595,000	\$ 9,160,000

Revenue bond debt service requirements to maturity are as follows:

Year Ended	Stormwater Revenue Bonds		
	Principal	Interest	Totals
2015	610,000	282,385	892,385
2016	625,000	263,183	888,183
2017	645,000	243,433	888,433
2018	665,000	223,055	888,055
2019	690,000	202,051	892,051
2020-2024	3,795,000	668,460	4,463,460
2024-2028	2,130,000	101,104	2,231,104
	<u>\$ 9,160,000</u>	<u>\$ 1,983,671</u>	<u>\$ 11,143,671</u>

As of June 30, 2014, deposits under the Trust Agreement for the Storm Water Revenue Bonds are held by the Trustee and the City in institutions designated by the City as an official depository. The deposits are held as follows:

City	\$ 11,816,003
Trustee - Regions Bank	-
Trustee - NCCMT	2,429,602
Total	<u>\$ 14,245,605</u>

The total principal and interest remaining to be paid on the outstanding revenue bonds was \$11,143,671 as of June 30, 2014. These revenue bonds are secured by a covenant to budget and collect revenues in the storm water system sufficient enough to pay the principal and interest requirements. The City has been in compliance with the covenants for the bonds, which required the debt service coverage for parity indebtedness (revenue bonds only, as of June 30, 2014) to be 1.20 and for all indebtedness to be 1.00. Financial information below is from the Storm Water Management Enterprise Fund.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 - Long-Term Obligations (continued)

Income Available for Debt Service		
Storm water fee revenues	\$	5,268,914
Other operating revenues		14,762
Nonoperating revenue (expense)		204,998
Less/plus adjustments for:		
Interest earned on bonds proceeds offset by capitalized interest		(869)
Unrealized gain/loss on investments		(38,480)
		165,649
Total revenues		5,449,325
Operating expenses		4,365,441
Less adjustments for:		
Depreciation		(818,961)
Change in OPEB accrual		(49,430)
Total current expenses		3,497,050
Income Available for Debt Service		1,952,275
Unrestricted cash 6/30/2013 (prior year)		10,574,251
15% of unrestricted cash		1,586,138
Total resources available for debt service		\$ 3,538,413
Parity Indebtedness Debt Service Requirement		
Series 2011 Revenue Bonds - Principal	\$	595,000
Series 2011 Revenue Bonds - Interest		301,195
		\$ 896,195
Total Available Resources Debt Service Coverage - Parity Indebtedness		3.95
Revenue Bond Covenant Requirement		1.20
Parity, Subordinated, and System G.O. Debt Service Requirement		
NC Storm water Note Payable 0196	\$	11,613
NC Storm water Note Payable 0231		13,417
Series 2011 Revenue Bonds – Principal		595,000
Series 2011 Revenue Bonds – Interest		301,195
		\$ 921,225
Income Available for Debt Service Debt Service Coverage – All Indebtedness		2.12
Revenue Bond Covenant Requirement		1.00

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 - Long-Term Obligations (continued)

C - Notes Payable

Notes payable financed by the governmental funds are serviced by the Federal and State Financial Assistance Fund.

On July 23, 2009, the U.S. Department of Housing and Urban Development (HUD) entered into a \$750,000 contract for a Section 108 Loan Guarantee Program Assistance for 10-years with the City. The guaranteed loan funds mature annually on August 1 with semiannual interest payments. All required payments on the loan are guaranteed by the U.S. Department of Housing and Urban Development in the event that the City is unable to make required payments. During fiscal year 2012 the Series HUD 2011-A was refinanced to fix rates, between 0.31% to 2.05%. The purpose of the note is for the financing of a community development project.

Notes payable financed by the Electric, Water and Wastewater and Storm Water Management Funds are accounted for in the respective funds.

The City has entered into revolving loan agreements for \$7,595,127, \$16,969,848, \$382,788, \$5,299,942, \$3,901,648, \$14,801,858 and \$2,460,662 with the State of North Carolina. The loans were used for various Wastewater capital projects. The City has also entered into a loan agreement with South River Electric Membership Corporation (SREMC) utilizing funds made available to SREMC by USDA-Rural Development for a water capital project. These notes payable are junior, inferior and subordinate in all respects to the Revenue Bonds and General Obligation Bonds of the City of Fayetteville as to lien on and source and security for payment from the revenues and in all other respects.

Additionally, in 2010, the City completed two storm water projects which were financed through two federal revolving loans for \$464,503 and \$536,692 administered through the State of North Carolina, Department of Environment and Natural Resources. As part of the American Recovery and Reinvestment Act of 2009 (ARRA), the unpaid principal was immediately reduced by one half of the loan amount to \$232,252 and \$268,346 as "Principal Forgiveness." These notes are reported as business-type activities in the Storm Water Management enterprise fund. These notes payable are inferior and subordinate to the Storm Water Revenue Bonds of the City of Fayetteville.

Notes payable in the accompanying financial statements are comprised of the following:

Governmental activities

\$750,000 HUD Note Payable due in various annual installments of \$75,000 through August 1, 2019; interest rate between 0.31% to 2.05% paid semiannually.	\$ <u>450,000</u>
Total governmental notes payable	<u>450,000</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 - Long-Term Obligations (continued)

Business-type activities

\$7,595,127 State revolving loan due in annual installments through May 1, 2021; interest at 2.6% paid semi-annually on May 1 and November 1.	\$ 2,658,295
\$16,969,848 State revolving loan due in annual installments through May 1, 2026; interest at 2.66% paid semiannually on May 1 and November 1.	10,181,910
\$396,000 SREMC Loan due in 10 annual installments beginning April 5, 2006; no interest	39,600
\$382,788 State Revolving Loan due in 20 annual installments beginning May 1, 2014; interest at 2.0% paid semi-annually on May 1 and November 1; construction draws complete.	363,649
\$5,299,942 State Revolving Loan due in 20 annual installments beginning May 1, 2014; no interest; construction draws no yet complete.	5,039,138
\$3,901,648 State Revolving Loan due in 20 annual installments beginning May 1, 2015; interest at 2.0% with 1 st payment due November 1, 2014 and semi-annually thereafter; construction draws not yet complete	3,901,648
\$2,460,662 State Revolving Loan due in 20 annual installments beginning May 1, 2016; 2.0% no interest; construction draws not yet complete	-
\$14,801,858 State Revolving Loan due in 20 annual installments beginning May 1, 2017; no interest; construction draws not yet complete	3,690,386
\$232,252 Federal revolving loan due in annual installments through May 1, 2030; non interest bearing, paid annually on May 1.	185,802
\$268,346 Federal revolving loan due in annual installments through May 1, 2030; non interest bearing, paid annually on May 1.	<u>214,677</u>
Total business-type notes payable	<u>26,275,105</u>
Total notes payable	<u>\$ 26,725,105</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 - Long-Term Obligations (continued)

Interest expense related to the notes payable obligations totaled \$429,651 for the year ended June 30, 2014.

D - Lease Agreements

The City has entered into lease agreements as lessee for financing certain equipment, vehicles and fixtures. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the minimum lease payments as of the date of their inception.

Capital lease obligations are comprised of the following:

Governmental activities

Capital lease obligations payable in various semi-annual installments of approximately \$203,322 in 2015 including interest at rates ranging from 4.19%	\$ 3,053,972
Capital lease obligations payable in various monthly installments of approximately \$75,388 in 2015 including interest at 2.06%	829,263
Capital lease obligations payable in annual installments of approximately \$829,887 in 2015 including interest at 1.772%	4,149,433
Capital lease obligations payable in various semi-annual installments of approximately \$312,127 in 2015 including interest at 5.1%. The City receives a subsidy of 39.9 percent of interest cost from the Federal Government reducing the effective interest rate to 3.07%	5,957,537
Capital lease obligations payable in various semi-annual installments of approximately \$204,239 in 2015 including interest at estimated .985%	5,472,480
Capital lease obligations payable in various semi-annual installments of approximately \$96,897 in 2015 including interest at estimated 0.721%	<u>2,239,414</u>
	21,702,099
Less: amount representing interest	<u>(2,536,478)</u>
Present value of the minimum lease payments	<u>19,165,621</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 5 - Long-Term Obligations (continued)

Business-type activities

Capital lease obligations payable in various monthly installments of approximately \$1,751 in 2015 including interest at 2.06%

\$ 19,266

Less: amount representing interest

(196)

Present value of the minimum lease payments

19,070

Total capital lease obligations

\$ 19,184,691

The following is an analysis of leased property under capital leases as of June 30, 2014:

Classes of Property	Cost	Depreciation	Value
Equipment	\$ 168,099	\$ 117,623	\$ 50,476
Vehicles	903,631	632,294	271,337
Buildings and improvement	24,931,255	3,730,440	21,200,815
Total	<u>\$ 26,002,985</u>	<u>\$ 4,480,357</u>	<u>\$ 21,522,628</u>

Interest expense related to the capital lease obligations totaled \$461,567 for the year ended June 30, 2014.

E - Changes in Long-Term Obligations

The following is a summary of changes in the City's long-term obligations for the fiscal year ended June 30, 2014

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
Governmental activities:					
General obligation debt	\$ 9,916,551		\$ 1,954,855	\$ 7,961,696	\$ 1,939,855
Revenue bonds	3,520,000		620,000	2,900,000	640,000
Notes payable	525,000		75,000	450,000	75,000
Capitalized leases	17,927,431	3,937,714	2,699,524	19,165,621	2,816,601
Compensated absences	6,099,524	6,655,282	6,431,129	6,323,677	4,044,159
Net OPEB Obligation	15,756,753	2,438,421	391,315	17,803,859	45,128
	<u>53,745,259</u>	<u>\$ 13,031,417</u>	<u>\$ 12,171,823</u>	54,604,853	9,560,743
Add: Unamortized premium	674,324			485,151	-
Total governmental activities	<u>\$ 54,419,583</u>			<u>\$ 55,090,004</u>	<u>\$ 9,560,743</u>

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 5 - Long-Term Obligations (continued)

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion
Business-type activities:					
General obligation debt	\$ 4,038,449	\$ -	\$ 800,146	\$ 3,238,303	\$ 625,145
Revenue bonds	138,445,000	-	12,380,000	126,065,000	12,755,000
Notes payable	22,650,444	5,197,480	1,572,819	26,275,105	1,776,289
Capitalized leases	39,465	-	20,395	19,070	19,070
Compensated absences	3,674,154	4,510,955	4,143,126	4,041,983	2,468,478
Net OPEB Obligation	6,058,365	5,810,883	4,912,067	6,957,181	621,897
	<u>174,905,877</u>	<u>\$ 15,519,318</u>	<u>\$ 23,828,553</u>	<u>166,596,642</u>	<u>18,265,879</u>
Add: Unamortized premium	12,014,742			10,756,311	-
Less: Unamortized discount	<u>(21,789)</u>			<u>(20,784)</u>	-
Total business-type activities	<u>\$ 186,898,830</u>			<u>\$ 177,332,169</u>	<u>\$ 18,265,879</u>

Governmental compensated absences typically have been liquidated in the general fund.

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 5 - Long-Term Obligations (continued)

F - Maturities of Long-Term Obligations

The following table summarizes the annual requirements to amortize all general long-term debt outstanding (excluding compensated absences and net OPEB obligation).

Governmental activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Construction and Improvement Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,939,855	\$ 341,502	\$ 640,000	\$ 152,250	\$ 1,235,693	\$ 397,476
2016	1,684,855	252,960	665,000	118,650	1,247,062	359,708
2017	839,855	176,542	685,000	83,738	1,258,793	321,826
2018	529,474	143,798	720,000	47,775	1,270,896	283,826
2019	439,473	123,044	190,000	9,975	1,283,383	245,705
2020-2024	2,153,184	349,341			6,164,851	661,621
2025-2028	375,000	15,938	-	-	1,946,450	46,111
	<u>7,961,696</u>	<u>1,403,125</u>	<u>2,900,000</u>	<u>412,388</u>	<u>14,407,128</u>	<u>2,316,273</u>
Add: Unamortized premium	269,012	-	216,139	-	-	-
	<u>\$ 8,230,708</u>	<u>\$ 1,403,125</u>	<u>\$ 3,116,139</u>	<u>\$ 412,388</u>	<u>\$ 14,407,128</u>	<u>\$ 2,316,273</u>

Year Ended	Capitalized Leases		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,580,908	\$ 78,241	\$ 75,000	\$ 5,883	\$ 5,471,456	\$ 975,352
2016	773,597	56,291	75,000	5,284	4,445,514	792,893
2017	787,300	42,587	75,000	4,478	3,645,948	629,171
2018	801,247	28,640	75,000	3,443	3,396,617	507,482
2019	815,441	14,446	75,000	2,201	2,803,297	395,371
2020-2024	-	-	75,000	769	8,393,035	1,011,731
2025-2028					2,321,450	62,048
	<u>4,758,493</u>	<u>220,205</u>	<u>450,000</u>	<u>22,058</u>	<u>30,477,317</u>	<u>4,374,048</u>
Add: Unamortized premium	-	-	-	-	485,151	-
	<u>\$ 4,758,493</u>	<u>\$ 220,205</u>	<u>\$ 450,000</u>	<u>\$ 22,058</u>	<u>\$ 30,962,468</u>	<u>\$ 4,374,048</u>

The following schedule includes the City's expected estimated schedule of maturity for the business-type activities, noted above as well as the annual requirements to amortize all business-type long-term debt outstanding (excluding compensated absences and net OPEB obligations).

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 5 - Long-Term Obligations (continued)

Business-type activities:

Year Ended	General Obligation Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 625,145	\$ 140,510	\$ 12,755,000	\$ 5,873,510	\$ 1,776,289	\$ 461,284
2016	520,145	111,253	13,710,000	5,265,858	1,732,500	388,532
2017	575,145	87,245	15,520,000	4,615,908	1,917,017	351,804
2018	375,526	63,840	16,635,000	3,868,830	1,917,017	315,076
2019	375,526	48,319	11,410,000	3,075,226	1,917,017	278,348
2020-2024	766,816	49,759	36,290,000	8,795,897	8,445,816	870,443
2025-2029	-	-	10,130,000	3,560,854	5,140,826	237,173
2030-2034	-	-	8,010,000	1,603,500	3,059,584	62,353
2035-2039	-	-	1,605,000	80,250	369,038	-
	<u>3,238,303</u>	<u>500,926</u>	<u>126,065,000</u>	<u>36,739,833</u>	<u>26,275,104</u>	<u>2,965,013</u>
Add: Unamortized premium	172,951	-	10,583,360	-	-	-
Less: Unamortized loss	-	-	(20,784)	-	-	-
	<u>\$ 3,411,254</u>	<u>\$ 500,926</u>	<u>\$ 136,627,576</u>	<u>\$ 36,739,833</u>	<u>\$ 26,275,104</u>	<u>\$ 2,965,013</u>

Year Ended	Capitalized Leases		Total Debt Due	
	Principal	Interest	Principal	Interest
2015	\$ 19,070	\$ 196	\$ 15,175,504	\$ 6,475,500
2016	-	-	15,962,645	5,765,643
2017	-	-	18,012,162	5,054,957
2018	-	-	18,927,543	4,247,746
2019	-	-	13,702,543	3,401,893
2020-2024	-	-	45,502,632	9,716,099
2025-2029	-	-	15,270,826	3,798,027
2030-2034	-	-	11,069,584	1,665,853
2035	-	-	1,974,038	80,250
	<u>19,070</u>	<u>196</u>	<u>155,597,477</u>	<u>40,205,968</u>
Add: Unamortized premium	-	-	10,756,311	-
Less: Unamortized loss	-	-	(20,784)	-
	<u>\$ 19,070</u>	<u>\$ 196</u>	<u>\$ 166,333,004</u>	<u>\$ 40,205,968</u>

G - Legal Debt Margin

The legal debt margin of the City at June 30, 2014, approximated \$1,069,345,427.

H - Authorized But Un-issued Debt

At June 30, 2014, the City had \$1,700,000 refunding bonds authorized but un-issued.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 5 - Long-Term Obligations (continued)

I – Net Investment in Capital Assets

	Governmental Activities	Business Type Activities
Capital Assets, Net	\$ 363,339,864	\$ 865,773,568
less: long-term debt related to capital assets	(29,443,785)	(162,252,356)
add: unspent bond/lease proceeds	4,441,194	4,061,579
add: unamortized bond refunding charges	220,984	5,922,697
Total Net Investment in Capital Assets	\$ 338,558,257	\$ 709,443,909

Note 6 – Unearned Revenue

The governmental and proprietary funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the government-wide financial statement were as follows:

	Unavailable Revenue
Amounts arising from cash:	
Unearned revenue (General)	\$ 136,269
Unearned grant receipts (Special Revenue)	38,350
Unearned grant receipts (Capital Projects)	1,031,176
Prepaid retiree insurance premiums (Internal Service)	7,442
Unearned revenue (Enterprise)	44,583
Total	\$ 1,257,820

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 7 – Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end is comprised of the following:

	Unavailable Revenue	Unearned Revenue
Prepaid licenses and fees not yet earned (General)	\$ -	\$ 246,996
Taxes receivable, net (General)	2,560,335	-
Accounts and notes receivable (General)	427,562	-
Special assessments receivable, net (General)	1,004,964	-
Accounts and notes receivable (Special Revenue)	8,919,089	-
Total	\$ 12,911,950	\$ 246,996

Deferred outflows of resources is the deferred amount for unamortized refunding charges.

Gains and losses from debt refunding must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to debt refunding are to be used in determining the carrying value of the new debt issued to finance debt refunding. The carrying values of the 2009A Revenue Refunding Electric Water and Wastewater Bonds and the 2009 GO Refunding Bonds have been adjusted for the loss from defeasance (net of amortization) of \$7,275,565. At June 30, 2014, the unamortized value of loss was \$5,849,046

In fiscal year 2011, the City exercised its option to call for early redemption the remaining outstanding maturities of the 2001 Revenue Refunding Electric/Water and Wastewater Bonds totaling \$7,680,000 at a redemption price of 101%. The difference between the amount paid upon reacquisition and the face value, plus any unamortized premium, less any unrelated unamortized debt expense, unamortized discount and reacquisition costs applicable to the debt redeemed is recorded as an Unamortized Loss on Reacquired Debt and is amortized equally on a monthly basis over the original life of the debt. At June 30, 2014, the unamortized value of the loss was \$73,651.

Refunding and defeasance losses of \$220,984 (net of amortization) from the 2002 and 2009 General Obligation Refunding Bonds and the 2005 Revenue Refunding Bonds are also reported as unamortized bond refunding charges in the statement of net position.

This deferred outflow of resources is included as unamortized bond refunding charges in the statement of net position.

Note 8 - Risk Management

The City (excluding the electric and water and wastewater funds) is self-insured (self-funded) with respect to insurance claims as follows: health insurance (up to \$150,000 per individual and approximately \$12,762,307 for all employees for the policy period ending June 30, 2014), general liability (up to \$350,000 per occurrence), workers' compensation (\$750,000 per occurrence), public officials liability (up to \$350,000 per occurrence), law enforcement liability (\$350,000 per occurrence), and automobile liability (up to \$350,000 per occurrence). The City maintains excess liability insurance (\$10,000,000) to cover catastrophic losses. Property insurance on city buildings is for replacement value (less \$100,000 self-funded retention). The health insurance plan's excess coverage allows expenditures by the City up to 125% of expected claims adjusted for industry standard trend adjustments, and for expenditures by the City of up to \$150,000 per individual. Losses from asserted claims and from unasserted claims identified under the City's incident reporting system are accrued

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 8 - Risk Management (continued)

based on estimates that incorporate the City's past experience, as well as other considerations including the nature of each claim and relevant trend factors.

The City carries commercial coverage for all other risks of loss. Within the last three fiscal years, the City had a general liability claim in May, 2012 that exceeded the City's retention of \$350,000. The amount exceeding the \$350,000 retention was paid by the City's excess insurance carrier.

The Electric and Water and Wastewater Funds are self-insured with respect to workers' compensation (up to approximately \$1,000,000) and self-insured with respect to health insurance claims (up to approximately \$2,000,000). In addition, these funds are self-insured with respect to certain policy deductible amounts as follows: up to \$100,000 per occurrence on public officials' liability, up to \$1,000,000 per occurrence on liability claims, and up to \$250,000 per occurrence on property claims. In addition, the Electric and Water and Wastewater Funds maintain excess liability insurance (\$10,000,000) to cover catastrophic losses and auto liability coverage with a \$5,000 deductible per occurrence. These funds maintain an investment account amounting to \$3,500,000 to cover possible workers' compensation and other claims. This investment is classified under restricted assets in the financial statements. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system has been made, because the amount is not reasonably estimated.

The Electric and Water and Wastewater Funds carry commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage since the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

At June 30, 2014, a liability for incurred but not reported claims of \$5,561,496 is included in accounts payable and accrued expenses on the accompanying financial statements. An analysis of claims activity for the City and the Electric and Water and Wastewater Funds is presented below.

	2014	2013
Liability at June 30,	\$ 4,689,472	\$ 4,528,254
Current year claims and changes in estimates	21,252,925	20,944,041
Actual claim payments	<u>(20,380,901)</u>	<u>(20,782,823)</u>
Liability at June 30,	<u>\$ 5,561,496</u>	<u>\$ 4,689,472</u>

The City (excluding the electric and water and wastewater funds) carries flood insurance through the National Flood Insurance Plan (NFIP) on a particular property commonly known as the police training facility located at 671 North Eastern Blvd. This property is covered by a separate insurance policy with damage limits of \$500,000 for building and \$300,000 for contents with a \$5,000 deductible.

The Electric and Water and Wastewater Funds carry flood insurance through the commercial insurance market. The current policy limit is \$50 million with a \$1 million sublimit applicable for loss in flood zones that are designated "A" zones. The Electric and Water and Wastewater Funds' standard deductible is \$100,000 with the exception of a \$250,000 deductible set for combustion steam generators.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8 - Risk Management (continued)

In accordance with G.S. 159-29, City employees (excluding employees of the electric, water and wastewater funds) who have access to \$100 or more of the City's funds at any given time are performance bonded through commercial surety bonds. The City's Chief Financial Officer is individually bonded for \$100,000. The remaining employees who have access to funds are bonded under a blanket bond for \$100,000 per theft coverage, with a \$1,000 per occurrence deductible.

All Electric and Water and Wastewater fund employees, including the Chief Financial Officer, Controller and Director of Planning and Capital Projects, are insured under the funds' commercial crime policy in accordance with G.S. 159-29. The crime policy provides coverage for losses related to employee dishonesty, fraud, forgery/alteration and theft of money or securities up to \$1,000,000. This crime policy has a \$25,000 deductible per loss.

Note 9 - Commitments and Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. No provision has been made in the accompanying financial statements for the refund of grant money.

The City is a defendant in various lawsuits. Although the outcome of these proceedings is not presently determinable, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is subject to laws and regulations relating to the protection of the environment. While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly any future remediation and other compliance efforts, in the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial position, results of operations or cash flows of the City.

The City's bond issues are subject to Federal arbitrage regulations, and the City has elected to review its potential arbitrage liability annually on the bond issue dates. The arbitrage rebate payments are payable on the fifth anniversary of the bond issue date and every fifth year subsequent to that date. Although the actual amount to be paid is not presently determinable, the City believes that an adequate provision for arbitrage payables has been provided for in the accompanying financial statements.

The City has authorized expenditures totaling approximately \$349.4 million for capital additions and construction of various administration, public safety, recreation, transportation, economic development, bond improvement, Linear Park, electric, water and wastewater, storm water, transit and airport projects. At June 30, 2014, cumulative expenditures to date totaled approximately \$164.4 million leaving an unexpended balance of \$185.0 million for projects that are expected to be completed at various dates in future fiscal years.

In June 2009 the City executed a 20 year full requirements Power Supply and Coordination Agreement with Duke Energy Progress (DEP) formerly named Progress Energy Carolina, Inc. effective July 1, 2012. Subsequent amendments extended the term to 30 years. Under this agreement, DEP

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 9 - Commitments and Contingent Liabilities (continued)

provides PWC's full power supply requirements at an annually determined capacity and energy price based on DEP's average system cost. PWC will continue to utilize its SEPA allocation as permitted in the contract. The City may terminate this agreement effective July 1, 2022 with written notice provided by June 30, 2015. Also in June 2009, the City and DEP executed a 5 year Butler Warner Power Sales Agreement effective July 1, 2012. Under this agreement, the City generates and delivers energy to DEP pursuant to scheduled energy requests provided by DEP. DEP pays the City for capacity, energy (including any fuel costs) and start costs.

In addition to the purchased power contract, the City pays power transmission costs to its power supply provider, DEP. The transmission rates are established by the Federal Energy Regulatory Commission (FERC).

During the year ended June 30, 2014, the purchased power cost, including gross receipts tax and transmission cost to DEP was \$159,574,227.

The City leases office space to others in the Robert C. Williams Business Center at Lafayette Plaza and the Administration Building on Old Wilmington Road. These lease agreements provide for minimum rental, have terms of 3 to 10 years and are due to expire at various dates from 2015 to 2019. Minimum lease provisions at June 30, 2014 will result in rental income for future years as follows:

<u>Year ending June 30</u>	<u>Rent</u>
2015	\$ 538,382
2016	306,306
2017	107,934
2018	63,650
2019	5,793
Total	<u>\$ 1,022,065</u>

Note 10 - On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the City has recognized on-behalf payments for pension contributions made by the State as revenue and an expenditure of \$39,350 for the 110 employed firemen who perform firefighting duties for the City's fire department. These employees elected to be members of the Firemen's and Rescue Squad Workers' Pension Fund, a cost sharing, multiple-employer public employee retirement system established and administered by the State of North Carolina. The plan is funded by a monthly contribution paid by each member, investment income, and a State appropriation.

Note 11 - Employee Retirement Systems

The City maintains a single-employer, defined benefit pension plan (the Law Enforcement Officers' Special Separation Allowance System), which covers the law enforcement officers of the City. In addition, the City continues to participate in the statewide local governmental retirement system, a multiple-employer, cost-sharing public employee pension plan that covers substantially all employees.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 11 - Employee Retirement Systems (continued)

A - Local Governmental Employees' Retirement System

Plan Description

The City contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost sharing, and multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller; 1410 Mail Service Center; Raleigh, North Carolina 27699-1410 or by calling (919) 707-0550.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the City, exclusive of the Electric and Water and Wastewater funds, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The rate for the Electric and Water and Wastewater funds is 11.97%. The contribution requirements of members and of the City are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for all employees, including law enforcement officers and Electric and Water and Wastewater funds, for the years ended June 30, 2014, 2013 and 2012, were \$9,277,130, \$8,457,339 and \$8,267,967, respectively. The contributions made by the City equaled the required contributions for each year.

B – Supplemental Employees' Retirement Plan of the Public Works Commission of the City of Fayetteville, North Carolina

Effective April 1, 2001, the Commission transferred the assets of the Employee's Retirement Plan of the Public Works Commission of the City of Fayetteville, North Carolina ("ERP plan"), a single-employer defined benefit pension plan administered by the Public Works Commission Employees' Retirement Plan Board of Trustees into a new retirement plan: The Local Governmental Employees' Retirement System plan ("LGERS") (A cost-sharing multiple-employer defined benefit plan administered by the State of North Carolina). At the date of transition, approximately \$49.7 million of the plan assets were transferred to the LGERS plan.

C - Law Enforcement Officers' Special Separation Allowance

Plan Description

The City administers a public employee retirement system (the "Separation Allowance"), a single-employer; defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 11 - Employee Retirement Systems (continued)

authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the City's report as a pension trust fund and does not issue separate financial statements. The Separation Allowance covers all full-time City law enforcement officers.

At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	30
Active plan members	<u>389</u>
Total	<u>419</u>

Summary of Significant Accounting Policies

Basis of Accounting: Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Investments are reported at fair value. Short-term debt, deposits, and the North Carolina Capital Management Trust Investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The City is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$811,526, or 3.94% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial method. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% - 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 11 - Employee Retirement Systems (continued)

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net prepaid pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 746,692
Interest on net pension obligation	(28,174)
Adjustment to annual required contribution	<u>45,908</u>
Annual pension cost	764,426
Contributions made	<u>811,526</u>
Increase (decrease) in net pension obligation	(47,100)
Net prepaid pension obligation beginning of year	<u>(563,480)</u>
Net prepaid pension obligation end of year	<u><u>\$ (610,580)</u></u>

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Prepaid Pension Obligation
2012	\$ 677,846	101.28%	\$(558,112)
2013	729,428	100.74	(563,480)
2014	764,426	106.16	(610,580)

Funded Status and Funding Progress

As of June 30, 2014 the plan was not funded. The most recent actuarial valuation was December 31, 2013. The actuarial value of plan assets was \$2,835,029. The actuarial accrued liability (AAL) for benefits was \$8,530,271 and the unfunded actuarial accrued liability (UAAL) was \$5,695,242. The funded ratio was 33.23 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$22,711,451 and the ratio of the UAAL to the covered payroll was 27.50 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The general fund typically liquidates any net pension obligation.

The remainder of this page intentionally left blank

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 11 - Employee Retirement Systems (continued)

The fiscal year 2013-2014 financial statements for the City's pension trust funds are as follows:

STATEMENT OF NET POSITION

	Special Separation Allowance Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 2,972,380
Accounts receivable	1,313
Total assets	2,973,693
LIABILITIES	
Accounts payable	37,187
Total liabilities	37,187
NET POSITION	
Held in trust for benefits and other purposes	2,936,506
Total net position	\$ 2,936,506

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Special Separation Allowance Pension Trust Fund
ADDITIONS	
Employer contributions	\$ 811,526
Investment earnings	18,977
Total additions	830,503
DEDUCTIONS	
Benefit payments and premiums	578,501
Total deductions	578,501
CHANGE IN NET POSITION	
	252,002
Total net position - beginning	2,684,504
Total net position - ending	\$ 2,936,506

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 11 - Employee Retirement Systems (continued)

D - Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The City contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City and also those non-law enforcement employees who choose to make their own contributions. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions for the law enforcement officers to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The state's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0550.

Funding Policy

Article 12E of G. S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each law enforcement officer's salary, and all amounts contributed are vested immediately. The City does not make any contributions for non-law enforcement employees. All employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2014, were \$1,982,914, which consisted of \$1,060,537 from the City and \$1,008,669 from employees.

E - Firemen's and Rescue Squad Workers' Pension Fund

Plan Description

As discussed in Note 10, the State of North Carolina contributes, on behalf of the City of Fayetteville, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the Fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0550.

Funding Policy

Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12 - Other Postemployment Benefits (OPEB)

In addition to the pension benefits described in Note 11, the City (excluding the City's Public Works Commission) administers the Other Post Employment Benefit Retiree Healthcare Plan, a single-employer defined benefit healthcare plan. For employees hired on or after February 1, 2008, this plan provides postemployment healthcare benefits to retirees of the City, up to the age of 65 or until they are eligible to receive medicare benefits, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the City. For employees hired prior to February 1, 2008, employees qualified for similar level benefits after at least five years of creditable service with the City and 10 years of service credit with the System. The City and retirees contribute to the cost of coverage for these benefits through a self-insured plan. Also, the City's retirees can purchase coverage for their eligible dependents at the City's group rates. The City also provides a death benefit through the plan based on the number of years of service at retirement. The City may amend the benefit provisions. A separate report was not issued for the plan.

Membership in the healthcare and life insurance benefit plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

Retirees receiving health and/or life insurance benefits	557
Active plan members	<u>1,422</u>
Total	<u>1,979</u>

Funding Policy. The City and the qualified retirees share in the cost of healthcare coverage. Also, the City's retirees can purchase healthcare coverage for their dependents at the City's group rates. The City pays the cost of death benefits.

The current Annual Required Contribution (ARC) rate is 5.54 percent of annual covered payroll as reflected in the latest actuarial valuation. For the current year, the City contributed \$930,763 or 1.43 percent of annual covered payroll. The City is self-insured with respect to healthcare coverage up to \$150,000 per individual and approximately \$12,762,307 for all employees and retirees for the policy ending June 30, 2014. Retiree members contributed \$315,372 or 0.48 percent of annual covered payroll for retiree and dependent coverage. The City also provides death benefits to retirees. Retirees that retired prior to June 1, 1988 are provided with a \$1,000 death benefit. Retirees that retire on or after June 1, 1988 and have at least five (5) years of service with the City, are provided a \$100 death benefit for each year of service up to a maximum of \$3,000. The City's and retiree members' obligation to contribute to the healthcare plan, including the death benefit, is established and may be amended by the City Manager consistent with the annual budget approved by City Council. The City has chosen to fund healthcare and death benefits on a pay-as-you-go basis.

Summary of Significant Accounting Policies. Post-employment expenditures are made from the Insurance Internal Service Fund, which is maintained on the full accrual basis of accounting. The Insurance Fund charges a monthly rate per retiree to the General Fund, special revenue funds and enterprise funds (other than the funds managed by the Public Works Commission) based on the number of retirees attributed to each fund to pay for post-employment expenditures.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12 - Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ended June 30, 2014, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the healthcare and death benefits:

Annual Required Contribution (ARC)	\$3,180,144
Interest on net OPEB obligation	660,470
Adjustment to annual required contribution	(630,954)
Annual OPEB cost (expense)	3,209,660
Contributions Made	(930,763)
Increase (decrease) in net OPEB obligation	2,278,897
Net OPEB obligation, beginning of the year	16,511,738
Net OPEB obligation, end of the year	\$18,790,635

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 through 2014 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 3,399,926	29.09%	\$ 14,623,514
2013	3,113,659	39.36%	16,511,738
2014	3,209,660	29.00%	18,790,635

Funded Status and Funding Progress. As of June 30, 2014 the plan was not funded. The most recent actuarial valuation was December 31, 2013. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$37,879,339. The covered payroll (annual payroll of active employees covered by the plan) was \$65,049,516 and the ratio of the UAAL to the covered payroll was 58.23 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 12 - Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.00 percent investment rate of return which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75 to 5.00 percent annually. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

In addition to the pension benefits described in Note 11, the City's Public Works Commission administers the Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan, a single-employer defined benefit healthcare plan for the Electric, Water and Wastewater, and PWC Fleet Maintenance funds. This plan provides postemployment healthcare benefits to retirees and their dependents up to the age of 65. The Commission may amend the benefit provisions.

Membership in the Commission's healthcare benefit plan consisted of the following at June 30, 2014:

Retirees	79
Active members	<u>565</u>
Total	<u>644</u>

Funding Policy. The Commission and the qualified retirees share in the cost of coverage. Also, the Commission's retirees can purchase coverage for their dependents at the Commission's group rates. The Commission has chosen to fund the health care benefits on a pay as you go basis.

The current Annual Required Contribution (ARC) rate is 6.0 percent of annual covered payroll. The Commission is self-insured with respect to healthcare coverage.

The Schedule of Funding Progress for the postemployment plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Annual OPEB Cost and Net OPEB Obligation. The Commission's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost for the fiscal year ended June 30, 2014.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 12 - Other Postemployment Benefits (OPEB) (continued)

Annual Required Contribution (ARC)	\$ 2,140,755
Interest on net OPEB obligation	212,135
Adjustment to annual required contribution	<u>(411,012)</u>
Annual OPEB cost (expense)	1,941,878
Contributions Made	<u>(1,274,853)</u>
Increase (decrease) in net OPEB obligation	667,025
Net OPEB obligation, beginning of the year	<u>5,303,380</u>
Net OPEB obligation, end of the year	<u><u>\$5,970,405</u></u>

The Commission's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 through 2014 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,143,510	45.59%	\$ 4,365,790
2013	2,072,621	54.76%	5,303,380
2014	1,941,878	65.65%	5,970,405

As of June 30, 2014 the plan was not funded. The most recent actuarial valuation was June 30, 2013. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$25,051,694. The net OPEB obligation and related OPEB expense are reported in the Electric, Water and Wastewater and PWC Fleet Maintenance funds as a noncurrent other liability and a general and administrative expense, respectively.

The covered payroll (annual payroll of active employees covered by the plan) at the last actuarial date was \$35,553,227 and the ratio of the UAAL to the covered payroll was 70.46 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the Projected Unit Credit Method was used. The actuarial assumptions included a 4.00 percent investment rate of return which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.00 to 5.00 percent annually. Both rates included a 2.50 percent inflation assumption. The UAAL is being amortized as a level dollar amortization on an open basis. The remaining amortization period was 30 years. There are no assets set aside for these benefits. The plan is funded on a pay-as-you-go basis.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 13 – Interfund Balances and Activity

Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2014, consist of the following:

	Due To:	
Due From:	Internal Service Fund	Total
Electric	\$ (2,471,530)	\$(2,471,530)
Water Wastewater	1,460,683	1,460,683
	\$ (1,010,847)	\$(1,080,847)

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from Other Funds

Transfers due to/from other funds at June 30, 2014, consist of the following:

	Transfer in:						
	General	Nonmajor Governmental	Electric	Water and Wastewater	Nonmajor Enterprise	Internal Service	Total
General	\$ -	\$ 9,804,482	\$ 20,847	\$ 4,358,970	\$ 9,412,667	\$ 474,423	\$ 24,071,389
Nonmajor Governmental	-	-	-	-	23,904	-	23,904
Electric	12,303,615	-	-	-	-	128,687	12,432,302
Water and Wastewater	-	-	-	-	-	128,687	128,687
Nonmajor Enterprise	2,150,637	1,580,000	-	-	-	-	3,730,637
Totals	\$ 14,454,252	\$ 11,384,482	\$ 20,847	\$ 4,358,970	\$ 9,436,571	\$ 731,797	\$ 40,386,919

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, and include amounts provided as matching funds for various grant programs.

During the fiscal year ended June 30, 2014, a total of \$12,303,615 was transferred from the electric fund to the general fund. This transfer represented 3.1% of electric fund net position at June 30, 2012.

Transfers totaling \$9,804,484 were made during the fiscal year from the general fund to non-major governmental funds. Of this total, transfers for capital projects consisted of: \$5,069,534 for transportation projects including street resurfacing and improvements, street lighting and sidewalk improvements, and transportation and railroad crossing improvement project commitments under municipal agreements; \$3,869,568 for general government projects including major facility maintenance projects and computer replacements; \$255,653 for recreation and cultural projects including playground equipment improvements; \$413,626 for public safety projects including land purchase for a fire station, and radio and technology improvements; and \$75,000 for an economic development project.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

Note 13 – Interfund Balances and Activity

Additionally, transfers for special revenue funds included \$121,103 transferred for local matches for Federal and State funded programs.

The general fund also made transfers totaling \$9,412,667 to non-major enterprise funds to support environmental services operations and transit system operations, planning functions and capital purchases, and \$4,358,970 to the water and wastewater fund for infrastructure installation and debt service related to annexed areas.

Note 14 – Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 52,048,137
Less:	
Inventories	124,837
Stabilization by State Statute	16,153,768
Central Business Tax District	34,494
Cumberland County Recreation District	4,783,784
Donations	21,983
Lake Valley Drive MSD	134
Appropriated Fund Balance in 2015 budget	2,539,540
Specific purpose assignments	6,550,771
Capital funding plan	2,470,419
Working Capital/Fund Balance Policy	15,176,995
Remaining Fund Balance	\$ 4,191,412

The City's fund balance policy is discussed in Note 1.

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end.

TOTAL Encumbrances	General Fund	Non-Major Funds
\$ 7,409,002	\$ 2,189,488	\$ 5,219,514

Note 15 – Subsequent Events

The City has evaluated subsequent events through November 6, 2014, in connection with the preparation of the financial statements which is the date the financial statements were available to be issued.

City of Fayetteville, North Carolina
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 15 – Subsequent Events (continued)

On September 11, 2014, PWC issued revenue bonds in the amount of \$111,455,000 at a premium of \$8,243,947, resulting in bond proceeds of \$119,698,947. The proceeds of the bonds are to be used for capital improvements in the water/wastewater and electric systems.

On October 16, 2014, the City of Fayetteville's Public Works Commission filed declaratory judgment action against the City of Fayetteville seeking a judicial determination as to the Public Works Commission's authority.



2014

Required Supplementary Information

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2008	2,101,963	5,449,006	3,347,043	38.58%	17,468,170	19.16%
12/31/2009	2,161,322	7,423,392	5,262,070	29.12%	18,645,039	28.22%
12/31/2010	2,299,829	7,099,596	4,799,767	32.39%	19,348,625	24.81%
12/31/2011	2,494,212	7,577,761	5,083,549	32.91%	19,642,118	25.88%
12/31/2012	2,661,060	7,809,998	5,148,938	34.07%	19,305,057	26.67%
12/31/2013	2,835,029	8,530,271	5,695,242	33.23%	20,711,451	27.50%

The annual required contribution for the fiscal year ended June 30, 2014 was determined as part of the December 31, 2012 actuarial valuation using the project unit credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3.00%. The assumptions do not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information**

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Actual Contributions</u>
2009	\$ 415,308	107.04%	444,528
2010	465,302	110.02%	511,937
2011	689,012	102.27%	704,620
2012	677,846	101.28%	686,544
2013	729,428	100.74%	734,796
2014	764,426	106.16%	811,526

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate return*	5%
Projected salary increases*	4.25 -7.85%
* Includes inflation at	3.00%
Cost-of-living adjustments	N/A

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Other Post Employment Benefit Retiree Healthcare Plan
Required Supplementary Information**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/2009	\$ -	\$ 31,906,033	\$ 31,906,033	0.00%	\$ 59,132,363	53.96%
12/31/2011	-	31,318,000	31,318,000	0.00%	61,529,547	50.90%
12/31/2013	-	37,879,339	37,879,339	0.00%	65,049,516	58.23%

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Other Post Employment Benefit Retiree Healthcare Plan
Required Supplementary Information**

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage of Annual Required Contribution</u>
2010	2,963,516	799,635	26.98%
2012	3,332,873	989,203	29.68%
2014	3,180,144	930,763	29.27%

Notes to the Required Schedules:

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage of Pay on an Open Basis
Amortization period	30 years
Actuarial assumptions:	
Investment rate of return*	4.00%
Annual medical cost trend rates*	7.75% - 5%
* Includes inflation at	3.00%

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan
Required Supplementary Information**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projects Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/09	\$ -	\$ 15,772,610	\$ 15,772,610	0.00%	\$ 29,452,949	53.55%
6/30/11	-	22,033,901	22,033,901	0.00%	32,487,865	67.82%
6/30/13	-	25,051,694	25,051,694	0.00%	34,013,831	73.65%

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Public Works Commission Other Post Employment Benefit Retiree Healthcare Plan
Required Supplementary Information**

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Amount Contributed</u>	<u>Percentage of Annual Required Contribution</u>
2009	\$ 1,464,968	\$ 573,818	39.17%
2011	2,125,256	952,939	44.84%
2013	2,140,755	1,135,031	53.02%

Notes to the Required Schedules:

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Amortization on an Open Basis
Amortization period	30
Actuarial assumptions:	
Investment rate of return*	4.00%
Annual medical cost trend rates*	8% - 5%
* Includes inflation at	2.5%

Supplementary Information

Combining and Individual Fund Financial Statements and Schedules

These statements/schedules provide a more detailed view of the “Basic Financial Statements” as presented in the preceding subsection.

Combining statements are presented where there is more than one fund of a given type. Individual fund statements are presented only if one fund exists in a given fund type.

Governmental Funds

- General Fund
- Nonmajor Governmental Funds
 - Special Revenue Funds
 - Capital Project Funds

The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination.

General Fund

The General Fund is the principal fund of the City and is used to account for the receipt and expenditure of resources that are traditionally associated with local governments and that are not required to be accounted for in another fund.

Resources are provided primarily through taxes, intergovernmental revenues and transfers and are expended for services deemed not susceptible to a user charge financing method.

The General Fund is accounted for on the modified accrual basis of accounting.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Comparative Balance Sheets
General Fund**

June 30, 2014 and 2013

ASSETS	2014	2013
Cash and investments	\$ 42,809,835	\$ 44,000,098
Taxes receivable	3,117,383	3,239,535
Accounts receivable	13,664,833	14,279,246
Assessments receivable	1,167,926	925,310
Inventories	124,837	137,604
Restricted cash and investments	4,840,395	4,922,971
Property held for resale	7,000	-
Total assets	\$ 65,732,209	\$ 67,504,764
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued expenses	\$ 8,643,906	\$ 10,356,341
Restricted unearned deposits	664,040	748,810
Unearned revenue	136,269	139,225
Total liabilities	9,444,215	11,244,376
 Deferred inflows of resources		
Taxes receivable	2,560,335	3,239,535
Accounts receivable	264,600	547,637
Assessment receivable	1,167,926	925,310
Prepaid taxes	246,996	483,548
Total deferred inflows of resources	4,239,857	5,196,030
 Fund balances		
Fund balances:		
Nonspendable		
For inventories	124,837	137,604
Restricted		
Stabilization by State Statute	16,153,768	15,196,662
For downtown	34,494	25,509
For Lake Valley Drive MSD	134	5,420
For county recreation	4,783,784	4,124,037
For donations	21,983	19,194
Assigned		
For subsequent year's expenditures	2,539,540	3,529,523
For special purpose	6,550,771	7,713,907
For capital projects	2,470,419	2,760,753
Unassigned	19,368,407	17,551,749
Total fund balances	52,048,137	51,064,358
 Total liabilities, deferred inflows of resources and fund balances	 \$ 65,732,209	 \$ 67,504,764

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

Year Ended June 30, 2014

With Comparative Actual Statements for the Year Ended June 30, 2013

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Revenues				
Ad valorem taxes				
Current year	\$ 63,108,047	\$ 727,369	\$ 63,835,416	\$ 60,527,693
Prior year	1,102,250	35,294	1,137,544	1,061,992
Interest and penalties	327,390	28,599	355,989	283,413
Total ad valorem taxes	64,537,687	791,262	65,328,949	61,873,098
Other taxes				
Vehicle license tax	763,600	109,633	873,233	615,393
Privilege license	1,112,200	8,964	1,121,164	2,466,929
Cablevision franchise tax	-	-	-	71,223
Gross receipts tax on rental property	614,200	(10,784)	603,416	593,907
Total other taxes	2,490,000	107,813	2,597,813	3,747,452
Unrestricted intergovernmental				
Local option sales tax	35,361,844	(780,313)	34,581,531	33,838,708
Telecommunications sales tax	1,733,386	(86,849)	1,646,537	1,737,484
Utility franchise tax	6,581,523	424,603	7,006,126	6,352,836
Piped natural gas tax	537,609	68,128	605,737	571,447
Video franchise fee	2,288,749	62,432	2,351,181	2,380,327
Beer and wine tax	946,812	(32,233)	914,579	839,798
County - other	239,790	(3,327)	236,463	225,997
Local - public safety	320,100	(4,348)	315,752	311,578
Local - other	15,122	22,892	38,014	105,682
Total unrestricted intergovernmental	48,024,935	(329,015)	47,695,920	46,363,857
Restricted intergovernmental				
Federal - public safety	98,752	26,650	125,402	405,698
Federal - other	106,568	55,223	161,791	137,762
Powell Bill allocation	5,364,972	145,552	5,510,524	5,426,591
State - other	23,010	22,948	45,958	714,316
State - public safety	71,800	16,790	88,590	170,697
Solid waste disposal tax	-	-	-	117,167
County recreation	3,265,000	348,570	3,613,570	3,535,583
County - other	112,544	(12,282)	100,262	93,213
Local - other	85,000	(85,000)	-	-
Total restricted intergovernmental	9,127,646	518,451	9,646,097	10,601,027
Permits and fees	3,076,700	(728,770)	2,347,930	2,933,818
Sales and services				
Property leases	754,327	(122,318)	632,009	901,968
Engineering/planning services	472,400	23,532	495,932	460,451
Public safety services	1,147,435	(106,885)	1,040,550	1,110,694
Environmental services	-	-	-	140,974
Recreation and cultural services	1,438,485	33,920	1,472,405	1,422,820
Parking revenues	217,023	(12,671)	204,352	146,111
Other fees and services	263,750	(110,499)	153,251	164,853
Total sales and services	4,293,420	(294,921)	3,998,499	4,347,871

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

Year Ended June 30, 2014

With Comparative Actual Statements for the Year Ended June 30, 2013

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Revenues (continued)				
Miscellaneous				
Refunds and sundry	\$ 193,280	\$ 264,533	\$ 457,813	\$ 218,403
Indirect cost allocation	1,512,778	130,641	1,643,419	1,158,438
Special use assessment	220,469	38,624	259,093	185,682
Total miscellaneous	1,926,527	433,798	2,360,325	1,562,523
Interest earned on investments	305,800	152,743	458,543	(35,996)
Total revenues	133,782,715	651,361	134,434,076	131,393,650
Expenditures				
Current				
Administration				
Legislative				
Salaries and employee benefits	440,467	16,149	424,318	358,174
Other operating expenditures	529,050	95,077	433,973	197,046
	<u>969,517</u>	<u>111,226</u>	<u>858,291</u>	<u>555,220</u>
City attorney				
Salaries and employee benefits	708,216	9,235	698,981	499,198
Other operating expenditures	543,569	4,644	538,925	626,530
Cost redistribution	(13,500)	-	(13,500)	-
	<u>1,238,285</u>	<u>13,879</u>	<u>1,224,406</u>	<u>1,125,728</u>
Executive				
Salaries and employee benefits	1,182,712	7	1,182,705	955,185
Other operating expenditures	339,058	38,590	300,468	240,910
	<u>1,521,770</u>	<u>38,597</u>	<u>1,483,173</u>	<u>1,196,095</u>
Human resources development				
Salaries and employee benefits	934,205	17,862	916,343	925,431
Other operating expenditures	231,488	28,036	203,452	187,092
	<u>1,165,693</u>	<u>45,898</u>	<u>1,119,795</u>	<u>1,112,523</u>
Corporate communications				
Salaries and employee benefits	782,907	7,406	775,501	557,563
Other operating expenditures	239,740	28,267	211,473	129,226
Capital outlay	5,690	-	5,690	42,117
Inventory	121,263	(997)	122,260	114,635
Cost redistribution	(238,000)	(6,988)	(231,012)	(146,257)
	<u>911,600</u>	<u>27,688</u>	<u>883,912</u>	<u>697,284</u>
Information technology				
Salaries and employee benefits	1,761,922	19,465	1,742,457	1,542,324
Other operating expenditures	1,966,630	336,509	1,630,121	1,722,095
Capital outlay	294,035	8,151	285,884	42,741
	<u>4,022,587</u>	<u>364,125</u>	<u>3,658,462</u>	<u>3,307,160</u>
Human relations				
Salaries and employee benefits	251,291	9	251,282	228,503
Other operating expenditures	53,790	7,413	46,377	17,728
Payments to agencies	2,784	2,284	500	3,348
	<u>307,865</u>	<u>9,706</u>	<u>298,159</u>	<u>249,579</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

Year Ended June 30, 2014

With Comparative Actual Statements for the Year Ended June 30, 2013

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Expenditures (continued)				
Current (continued)				
Administration (continued)				
Finance				
Salaries and employee benefits	\$ 1,396,051	\$ 94,436	\$ 1,301,615	\$ 1,305,777
Other operating expenditures	1,291,096	262,142	1,028,954	1,171,953
	<u>2,687,147</u>	<u>356,578</u>	<u>2,330,569</u>	<u>2,477,730</u>
General government				
Salaries and employee benefits	380,922	397	380,525	73,376
Other operating expenditures	10,215,997	10,322	10,205,675	9,456,235
Inventory	1,715,500	34,531	1,680,969	1,613,861
Payments to agencies	312,875	-	312,875	312,875
Cost redistribution	(1,725,000)	(8,672)	(1,716,328)	(1,615,490)
	<u>10,900,294</u>	<u>36,578</u>	<u>10,863,716</u>	<u>9,840,857</u>
Public buildings				
Salaries and employee benefits	836,890	4,278	832,612	776,257
Other operating expenditures	943,947	35,987	907,960	952,401
Capital outlay	-	-	-	72,487
	<u>1,780,837</u>	<u>40,265</u>	<u>1,740,572</u>	<u>1,801,145</u>
Real Estate				
Salaries and employee benefits	224,283	28	224,255	209,054
Other operating expenditures	12,307	1,668	10,639	9,712
	<u>236,590</u>	<u>1,696</u>	<u>234,894</u>	<u>218,766</u>
Total Administration	<u>25,742,185</u>	<u>1,046,236</u>	<u>24,695,949</u>	<u>22,582,087</u>
Public Safety				
Police				
Salaries and employee benefits	37,805,317	377	37,804,940	35,362,114
Other operating expenditures	6,799,339	625,557	6,173,782	5,762,973
Capital outlay	1,376,769	1,217,436	159,333	1,193,804
Payments to agencies	3,000	-	3,000	3,000
Cost redistribution	(8,730)	25,934	(34,664)	(8,425)
	<u>45,975,695</u>	<u>1,869,304</u>	<u>44,106,391</u>	<u>42,313,466</u>
Fire				
Salaries and employee benefits	20,411,375	5,537	20,405,838	19,741,733
Other operating expenditures	3,363,000	293,702	3,069,298	2,682,103
Capital outlay	1,360,477	43,049	1,317,428	1,958,785
Cost redistribution	(75,000)	-	(75,000)	(75,000)
	<u>25,059,852</u>	<u>342,288</u>	<u>24,717,564</u>	<u>24,307,621</u>
Inspections				
Salaries and employee benefits	2,399,316	46,000	2,353,316	2,239,049
Other operating expenditures	886,028	175,463	710,565	458,809
Capital outlay	323,203	5,169	318,034	182,578
	<u>3,608,547</u>	<u>226,632</u>	<u>3,381,915</u>	<u>2,880,436</u>
Total public safety	<u>74,644,094</u>	<u>2,438,224</u>	<u>72,205,870</u>	<u>69,501,523</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

Year Ended June 30, 2014
With Comparative Actual Statements for the Year Ended June 30, 2013

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Expenditures (continued)				
Current (continued)				
Environmental protection				
Environmental services				
Salaries and employee benefits	\$ -	\$ -	\$ -	\$ 3,629,005
Other operating expenditures	-	-	-	2,381,547
Capital outlay	-	-	-	1,393,205
Cost redistribution	-	-	-	(36,350)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,367,407</u>
Cemeteries				
Salaries and employee benefits	89,891	7,805	82,086	79,675
Other operating expenditures	21,600	5,972	15,628	10,081
Capital outlay	35,000	26,363	8,637	-
	<u>146,491</u>	<u>40,140</u>	<u>106,351</u>	<u>89,756</u>
Urban forestry				
Salaries and employee benefits	156,623	109	156,514	146,943
Other operating expenditures	16,599	4,413	12,186	11,950
	<u>173,222</u>	<u>4,522</u>	<u>168,700</u>	<u>158,893</u>
Street sweeping				
Salaries and employee benefits	-	-	-	402,614
Other operating expenditures	-	-	-	361,642
Capital outlay	-	-	-	195,163
	<u>-</u>	<u>-</u>	<u>-</u>	<u>959,419</u>
Total environmental protection	<u>319,713</u>	<u>44,662</u>	<u>275,051</u>	<u>8,575,475</u>
Transportation				
Streets				
Salaries and employee benefits	3,222,351	87,514	3,134,837	2,862,058
Other operating expenditures	2,304,647	256,986	2,047,661	1,833,876
Capital outlay	67,406	-	67,406	205,960
	<u>5,594,404</u>	<u>344,500</u>	<u>5,249,904</u>	<u>4,901,894</u>
Engineering				
Salaries and employee benefits	1,389,378	2,559	1,386,819	1,378,129
Other operating expenditures	267,787	146,209	121,578	181,392
Capital outlay	34,100	7,924	26,176	-
	<u>1,691,265</u>	<u>156,692</u>	<u>1,534,573</u>	<u>1,559,521</u>
Parking				
Other operating expenditures	433,287	25,747	407,540	369,141
Total transportation	<u>7,718,956</u>	<u>526,939</u>	<u>7,192,017</u>	<u>6,830,556</u>
Economic and physical development				
Central business district				
Other operating expenditures	75,615	7,613	68,002	47,222
Cost redistribution	35,659	-	35,659	33,146
	<u>111,274</u>	<u>7,613</u>	<u>103,661</u>	<u>80,368</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund

Year Ended June 30, 2014
With Comparative Actual Statements for the Year Ended June 30, 2013

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Expenditures (continued)				
Current (continued)				
Economic and physical development (continued)				
Community development				
Salaries and employee benefits	\$ 263,980	\$ 7,801	\$ 256,179	\$ 212,445
Other operating expenditures	570,858	182,370	388,488	579,515
Cost redistribution	(35,647)	12	(35,659)	(33,146)
	<u>799,191</u>	<u>190,183</u>	<u>609,008</u>	<u>758,814</u>
Planning and development				
Salaries and employee benefits	784,546	11	784,535	701,166
Other operating expenditures	334,023	139,874	194,149	203,062
Payments to agencies	5,148	3,428	1,720	3,686
	<u>1,123,717</u>	<u>143,313</u>	<u>980,404</u>	<u>907,914</u>
Lake Valley Drive MSD				
Other operating expenditures	29,887	29,887	-	-
	<u>29,887</u>	<u>29,887</u>	<u>-</u>	<u>-</u>
Total economic and physical development	<u>2,064,069</u>	<u>370,996</u>	<u>1,693,073</u>	<u>1,747,096</u>
Recreation and community facilities				
Parks and recreation				
Salaries and employee benefits	7,825,085	122,600	7,702,485	7,410,049
Other operating expenditures	4,713,716	510,447	4,203,269	4,179,148
Capital outlay	489,644	65,206	424,438	425,542
Cost redistribution	4,332	4,332	-	-
	<u>13,032,777</u>	<u>702,585</u>	<u>12,330,192</u>	<u>12,014,739</u>
Total recreation and community facilities	<u>13,032,777</u>	<u>702,585</u>	<u>12,330,192</u>	<u>12,014,739</u>
Debt service				
Principal	5,726,386	1,072,007	4,654,379	5,963,587
Interest	951,332	57,437	893,895	1,092,391
Total debt service	<u>6,677,718</u>	<u>1,129,444</u>	<u>5,548,274</u>	<u>7,055,978</u>
Total expenditures	<u>130,199,512</u>	<u>6,259,086</u>	<u>123,940,426</u>	<u>128,307,454</u>
Revenues over (under) expenditures	<u>3,583,203</u>	<u>6,910,447</u>	<u>10,493,650</u>	<u>3,086,196</u>
Other financing sources (uses)				
Sale of capital assets	230,000	(122,732)	107,268	295,425
Appropriated fund balance	6,662,803	(6,662,803)	-	-
Transfers in	14,454,337	(85)	14,454,252	11,353,040
Transfers (out)	(24,930,343)	858,952	(24,071,391)	(15,566,151)
Total other financing sources (uses)	<u>(3,583,203)</u>	<u>(5,926,668)</u>	<u>(9,509,871)</u>	<u>(3,917,686)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 983,779</u>	<u>983,779</u>	<u>(831,490)</u>
Fund balance				
Beginning of year - July 1			<u>51,064,358</u>	<u>51,895,848</u>
End of year - June 30			<u>\$ 52,048,137</u>	<u>\$ 51,064,358</u>



2014

Nonmajor Governmental Funds

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

Assets	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Cash and investments	\$ 339,658	\$ 12,442,788	\$ 12,782,446
Accounts receivable	9,590,975	266,081	9,857,056
Interfund receivable	-	192,150	192,150
Prepaid expenses	6	-	6
Restricted cash and investments	705,724	2,514,905	3,220,629
Restricted accounts receivable	493	1,050	1,543
Restricted prepaid	486,869	3,450,845	3,937,714
Property held for resale	27,871	-	27,871
Total assets	\$ 11,151,596	\$ 18,867,819	\$ 30,019,415
Liabilities, deferred inflows of resources and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 135,209	\$ 356,632	\$ 491,841
Interfund payables	192,150	-	192,150
Unearned revenue	38,350	1,031,176	1,069,526
Restricted accounts payable and accrued expenses	10,735	70,403	81,138
Total liabilities	376,444	1,458,211	1,834,655
Deferred inflows of resources:			
Accounts receivable	8,919,089	-	8,919,089
Total deferred inflows of resources	8,919,089	-	8,919,089
Fund balances:			
Nonspendable			
Prepaid for public safety	486,869	3,450,845	3,937,714
Restricted			
Stabilization by State Statute	1,300,146	5,078,904	6,379,050
Downtown	-	9,626	9,626
Public safety	886,167	-	886,167
For streets - Powell Bill	-	162,574	162,574
Recreation and community facilities	10,500	738,695	749,195
Economic and physical development	7,580	503,480	511,060
Committed			
Administration	-	2,586,408	2,586,408
Public safety	-	547,357	547,357
Transportation	-	2,681,789	2,681,789
Economic and physical development	-	621,908	621,908
Recreation and community facilities	41,137	1,028,022	1,069,159
Unassigned	(876,336)	-	(876,336)
Total fund balances	1,856,063	17,409,608	19,265,671
Total liabilities, deferred inflows of resources and fund balances	\$ 11,151,596	\$ 18,867,819	\$ 30,019,415

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014**

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues			
Other taxes and fees	\$ 805,520	\$ -	\$ 805,520
Restricted intergovernmental	2,725,267	801,825	3,527,092
Miscellaneous	1,454,056	92,183	1,546,239
Interest earned on investments	11,918	24,388	36,306
Total revenues	<u>4,996,761</u>	<u>918,396</u>	<u>5,915,157</u>
Expenditures			
Current			
Administration	-	2,737,532	2,737,532
Public safety	2,295,013	83,356	2,378,369
Transportation	-	4,204,492	4,204,492
Economic and physical development	2,470,300	884,468	3,354,768
Recreation and community facilities	213,753	1,363,736	1,577,489
Debt service:			
Principal	695,000	-	695,000
Interest	189,547	-	189,547
Total expenditures	<u>5,863,613</u>	<u>9,273,584</u>	<u>15,137,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(866,852)</u>	<u>(8,355,188)</u>	<u>(9,222,040)</u>
Other financing sources (uses)			
Sale of capital assets	-	6,745	6,745
Transfers in	121,103	11,263,379	11,384,482
Transfers out	-	(23,904)	(23,904)
Capital lease proceeds	486,869	3,450,845	3,937,714
Total other financing sources (uses)	<u>607,972</u>	<u>14,697,065</u>	<u>15,305,037</u>
Net change in fund balances	<u>(258,880)</u>	<u>6,341,877</u>	<u>6,082,997</u>
Fund balance - beginning	<u>2,114,943</u>	<u>11,067,731</u>	<u>13,182,674</u>
Fund balance - ending	<u>\$ 1,856,063</u>	<u>\$ 17,409,608</u>	<u>\$ 19,265,671</u>

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specific activities as required by law or administrative regulation.

The following comprise the City's Special Revenue Funds:

- Emergency Telephone System Fund
- Federal and State Financial Assistance Fund
- City of Fayetteville Finance Corporation
- Linear Park Fund

All Special Revenue Funds are accounted for on the modified accrual basis of accounting.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2014

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	City of Fayetteville Finance Corp Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
Assets					
Cash and investments	\$ 292,985	\$ -	\$ -	\$ 46,673	\$ 339,658
Accounts receivable	67,327	9,517,237	-	6,411	9,590,975
Prepaid expenses	-	6	-	-	6
Restricted cash and investments	-	705,724	-	-	705,724
Restricted accounts receivable	-	493	-	-	493
Restricted prepaid items	486,869	-	-	-	486,869
Property held for resale	-	27,871	-	-	27,871
Total assets	\$ 847,181	\$ 10,251,331	\$ -	\$ 53,084	\$ 11,151,596
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable and accrued expenses	\$ 25,560	\$ 104,113	\$ -	\$ 5,536	\$ 135,209
Interfund payables	-	192,150	-	-	192,150
Unearned revenue	-	38,350	-	-	38,350
Restricted accounts payable and accrued expenses	-	10,735	-	-	10,735
Total liabilities	25,560	345,348	-	5,536	376,444
Deferred inflows of resources:					
Accounts receivable	-	8,919,089	-	-	8,919,089
Total deferred inflows of resources	-	8,919,089	-	-	8,919,089
Fund balances:					
Nonspendable					
Prepaid for public safety	486,869	-	-	-	486,869
Restricted					
Stabilization by State Statute	88,219	1,205,516	-	6,411	1,300,146
Public safety	246,533	639,634	-	-	886,167
Recreation and community facilities	-	10,500	-	-	10,500
Economic and physical development	-	7,580	-	-	7,580
Committed					
Recreation and community facilities	-	-	-	41,137	41,137
Unassigned	-	(876,336)	-	-	(876,336)
Total fund balances	821,621	986,894	-	47,548	1,856,063
Total liabilities, deferred inflows of resources and fund balances	\$ 847,181	\$ 10,251,331	\$ -	\$ 53,084	\$ 11,151,596

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2014**

	Emergency Telephone System Fund	Federal and State Financial Assistance Fund	City of Fayetteville Finance Corp Fund	Linear Park Fund	Total Nonmajor Special Revenue Funds
Revenues					
Other taxes and fees	\$ 805,520	\$ -	\$ -	\$ -	\$ 805,520
Restricted intergovernmental	-	2,725,267	-	-	2,725,267
Miscellaneous	-	617,040	806,508	30,508	1,454,056
Interest earned on investments	2,969	7,557	2	1,390	11,918
Total revenues	808,489	3,349,864	806,510	31,898	4,996,761
Expenditures					
Current:					
Public safety	853,199	1,441,814	-	-	2,295,013
Economic and physical development	-	2,467,040	3,260	-	2,470,300
Recreation and community facilities	-	28,034	-	185,719	213,753
Debt Service:					
Principal	-	75,000	620,000	-	695,000
Interest	-	6,297	183,250	-	189,547
Total expenditures	853,199	4,018,185	806,510	185,719	5,863,613
Excess (deficiency) of revenues over (under) expenditures	(44,710)	(668,321)	-	(153,821)	(866,852)
Other financing sources (uses)					
Transfers in	-	121,103	-	-	121,103
Capital lease proceeds	486,869	-	-	-	486,869
Total other financing sources (uses)	486,869	121,103	-	-	607,972
Net change in fund balances	442,159	(547,218)	-	(153,821)	(258,880)
Fund balance - beginning	379,462	1,534,112	-	201,369	2,114,943
Fund balance - ending	\$ 821,621	\$ 986,894	\$ -	\$ 47,548	\$ 1,856,063

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Emergency Telephone System Fund

Year Ended June 30, 2014

(With Comparative Actual Amounts For Year Ended June 30, 2013)

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Revenues				
Other fees	\$ 805,520	\$ -	\$ 805,520	\$ 775,752
Interest earned on investments	1,600	1,369	2,969	(613)
Total revenues	807,120	1,369	808,489	775,139
Expenditures				
Current				
Public safety				
Other operating expenditures	701,753	54,494	647,259	636,503
Capital outlay	195,996	-	195,996	277,065
Cost redistribution	9,945	1	9,944	8,422
Total public safety	907,694	54,495	853,199	921,990
Total expenditures	907,694	54,495	853,199	921,990
Revenues over (under) expenditures	(100,574)	55,864	(44,710)	(146,851)
Other financing sources (uses)				
Appropriated fund balance	100,574	(100,574)	-	-
Capital lease proceeds	-	486,869	486,869	-
Total other financing sources (uses)	100,574	386,295	486,869	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	\$ 442,159	442,159	(146,851)
Fund balance				
Beginning of year - July 1			379,462	526,313
End of year - June 30			\$ 821,621	\$ 379,462

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Federal and State Financial Assistance Fund**

From Inception And For Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 12,737,283	\$ 16,517,234	\$ 9,250,887	\$ 2,495,501	\$ 9,761,848
State grants	2,107,601	1,927,599	148,550	218,562	1,997,611
County	48,608	47,525	-	11,204	58,729
Total restricted intergovernmental	<u>14,893,492</u>	<u>18,492,358</u>	<u>9,399,437</u>	<u>2,725,267</u>	<u>11,818,188</u>
Miscellaneous	<u>1,113,397</u>	<u>4,046,822</u>	<u>3,636,792</u>	<u>617,040</u>	<u>1,027,070</u>
Interest earned on investments	<u>89,939</u>	<u>92,570</u>	<u>-</u>	<u>7,557</u>	<u>100,127</u>
Total revenues	<u>16,096,828</u>	<u>22,631,750</u>	<u>13,036,229</u>	<u>3,349,864</u>	<u>12,945,385</u>
Expenditures					
Current					
Public safety	8,803,990	6,837,858	303,138	1,441,814	7,976,534
Economic and physical development	6,208,732	14,746,272	13,325,312	2,467,040	3,888,000
Recreation and community facilities	1,389,056	412,342	27,483	28,034	412,893
Total current	<u>16,401,778</u>	<u>21,996,472</u>	<u>13,655,933</u>	<u>3,936,888</u>	<u>12,277,427</u>
Debt service	<u>81,297</u>	<u>241,407</u>	<u>241,408</u>	<u>81,297</u>	<u>81,296</u>
Total expenditures	<u>16,483,075</u>	<u>22,237,879</u>	<u>13,897,341</u>	<u>4,018,185</u>	<u>12,358,723</u>
Revenues over (under) expenditures	<u>(386,247)</u>	<u>393,871</u>	<u>(861,112)</u>	<u>(668,321)</u>	<u>586,662</u>
Other financing sources (uses)					
Sale of capital assets	7,720	96,282	88,562	-	7,720
Transfers in	557,097	1,222,529	772,550	121,103	571,082
Transfers out	(178,570)	(178,570)	-	-	(178,570)
Total other financing sources (uses)	<u>386,247</u>	<u>1,140,241</u>	<u>861,112</u>	<u>121,103</u>	<u>400,232</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,534,112</u>	<u>\$ -</u>	<u>(547,218)</u>	<u>\$ 986,894</u>
Fund balance					
Beginning of year - July 1				<u>1,534,112</u>	
End of year - June 30				<u>\$ 986,894</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Expenditures by Project
Budget and Actual - Federal and State Financial Assistance Fund

From Inception And For Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Expenditures by project:					
Public safety					
Federal and State Forfeiture	\$ 3,458,199	\$ 1,951,636	\$ -	\$ 1,010,091	\$ 2,961,727
PSN Anti-Gang; Operation Ceasefire	60,101	58,810	-	-	58,810
Domestic Violence Training 2011	60,137	20,769	-	6,042	26,811
PSN Law Enforcement Consortium	-	13,680	13,680	-	-
PSN Media Blitz	23,000	19,889	-	-	19,889
Gangs across the Carolinas	-	102,315	102,315	-	-
Juvenile Restitution	500,961	228,085	-	99,412	327,497
Sobriety Court Grant	46,580	38,112	-	-	38,112
Cumberland County STARS Drug Treatment Court	265,285	167,030	-	70,870	237,900
Justice Assistance Grant	650,194	627,457	-	14,674	642,131
COPS Technology Grant	150,000	142,800	-	6,640	149,440
FY09 Hazmat Equipment	-	135,714	135,714	-	-
FY10 Hazmat Equipment	-	51,429	51,429	-	-
FY11 Hazmat Equipment and Training	25,000	17,500	-	-	17,500
FY10 FEMA Defibrillators Grant	100,000	100,000	-	-	100,000
COPS Hiring Recovery Program (ARRA)	2,528,240	2,408,969	-	115,426	2,524,395
Justice Assistance Grant (ARRA)	708,976	708,817	-	-	708,817
Gang Partnership 2012	48,196	18,575	-	2,424	20,999
Prescription Drug Initiative 2012	59,936	26,271	-	28,190	54,461
Cumberland Community Foundation	18,000	-	-	2,782	2,782
Youth Growth Stock Trust	10,000	-	-	-	-
Gang Prevention for Schools	37,185	-	-	31,273	31,273
Mobile Technology Initiative	54,000	-	-	53,990	53,990
Total public safety	<u>8,803,990</u>	<u>6,837,858</u>	<u>303,138</u>	<u>1,441,814</u>	<u>7,976,534</u>
Economic and physical development					
Community Development Block Grant	2,797,406	8,009,389	7,817,342	1,339,942	1,531,989
NC Rural Economic Development	47,335	47,320	-	-	47,320
Community Garden	13,500	-	-	3,000	3,000
HOME	2,100,759	5,267,088	5,260,726	1,106,438	1,112,800
CDBG-R (ARRA)	385,584	385,584	-	-	385,584
Homeless Prevention (ARRA)	589,648	589,647	-	-	589,647
Washington St School Site Project	-	247,244	247,244	-	-
Bragg Blvd Corridor Plan	200,000	200,000	-	-	200,000
Downtown Public Art Project	34,500	-	-	17,660	17,660
Fair housing outreach program	40,000	-	-	-	-
Total economic and physical development	<u>6,208,732</u>	<u>14,746,272</u>	<u>13,325,312</u>	<u>2,467,040</u>	<u>3,888,000</u>
Recreation and community facilities					
Wayfinding signage	500,586	338,392	-	2,150	340,542
Cultural arts program	22,520	22,520	-	-	22,520
National Recreation & Parks Association	10,000	-	-	-	-
Badges for Baseball 2012	-	23,306	23,306	-	-
Badges for Baseball 2012	-	4,177	4,177	-	-
Badges for Baseball 2013	23,950	23,947	-	-	23,947
Badges for Baseball 2014 #2	4,000	-	-	4,000	4,000
Badges for Baseball 2014	21,500	-	-	21,500	21,500
Badges for Baseball	6,500	-	-	384	384
Big Cross Creek Multiuse Trail	800,000	-	-	-	-
Total recreation and community facilities	<u>1,389,056</u>	<u>412,342</u>	<u>27,483</u>	<u>28,034</u>	<u>412,893</u>
Total expenditures by project	<u>\$ 16,401,778</u>	<u>\$ 21,996,472</u>	<u>\$ 13,655,933</u>	<u>\$ 3,936,888</u>	<u>\$ 12,277,427</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
City of Fayetteville Finance Corporation Fund

Year Ended June 30, 2014
(With Comparative Actual Amounts For Year Ended June 30, 2013)

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Revenues				
Miscellaneous				
Property leases	\$ 806,750	\$ (242)	\$ 806,508	\$ 816,505
Total miscellaneous	<u>806,750</u>	<u>(242)</u>	<u>806,508</u>	<u>816,505</u>
Interest earned on investments	<u>-</u>	<u>2</u>	<u>2</u>	<u>5</u>
Total revenues	<u>806,750</u>	<u>(240)</u>	<u>806,510</u>	<u>816,510</u>
Expenditures				
Current				
Economic and physical development				
Other operating expenditures	3,500	240	3,260	3,260
Debt service				
Principal	620,000	-	620,000	600,000
Interest	183,250	-	183,250	213,250
Total debt service	<u>803,250</u>	<u>-</u>	<u>803,250</u>	<u>813,250</u>
Total expenditures	<u>806,750</u>	<u>240</u>	<u>806,510</u>	<u>816,510</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Fund balance				
Beginning of year - July 1			<u>-</u>	<u>-</u>
End of year - June 30			<u>\$ -</u>	<u>\$ -</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Linear Park Fund**

From Inception And For Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
County grants and contributions	\$ 130,000	\$ 130,000	\$ -	\$ -	\$ 130,000
Total restricted intergovernmental	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>-</u>	<u>130,000</u>
Miscellaneous					
Other (donations)	1,833,473	1,814,367	-	30,508	1,844,875
Total miscellaneous	<u>1,833,473</u>	<u>1,814,367</u>	<u>-</u>	<u>30,508</u>	<u>1,844,875</u>
Interest earned on investments	<u>45,415</u>	<u>45,465</u>	<u>-</u>	<u>1,390</u>	<u>46,855</u>
Total revenues	<u>2,008,888</u>	<u>1,989,832</u>	<u>-</u>	<u>31,898</u>	<u>2,021,730</u>
Expenditures					
Current					
Recreational and community facilities					
Linear Park	2,059,067	1,838,642	-	185,719	2,024,361
Total expenditures	<u>2,059,067</u>	<u>1,838,642</u>	<u>-</u>	<u>185,719</u>	<u>2,024,361</u>
Revenues over (under) expenditures	<u>(50,179)</u>	<u>151,190</u>	<u>-</u>	<u>(153,821)</u>	<u>(2,631)</u>
Other financing sources (uses)					
Transfers in	50,179	50,179	-	-	50,179
Total other financing sources (uses)	<u>50,179</u>	<u>50,179</u>	<u>-</u>	<u>-</u>	<u>50,179</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 201,369</u>	<u>\$ -</u>	<u>(153,821)</u>	<u>\$ 47,548</u>
Fund balance					
Beginning of year - July 1				<u>201,369</u>	
End of year - June 30				<u>\$ 47,548</u>	

Capital Project Funds

Capital Project Funds account for all resources used for the acquisition and construction of major capital facilities other than those financed by the Proprietary Funds.

The following comprise the City's Nonmajor Capital Project Funds:

- General Government Fund
- Public Safety Fund
- Transportation Fund
- Economic and Physical Development Fund
- Recreational and Cultural Fund

All Capital Project Funds are accounted for on the modified accrual basis of accounting.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2014**

	General Government Fund	Public Safety Fund	Transportation Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Total Nonmajor Capital Project Funds
Assets						
Cash and investments	\$ 3,375,310	\$ 562,202	\$ 5,147,181	\$ 960,869	\$ 2,397,226	\$ 12,442,788
Accounts receivable	28,534	10,374	97,534	-	129,639	266,081
Interfund receivable	192,150	-	-	-	-	192,150
Restricted cash and investments	-	-	210,503	503,480	1,800,922	2,514,905
Restricted prepaid	-	3,450,845	-	-	-	3,450,845
Restricted accounts receivable	-	-	-	-	1,050	1,050
Total assets	\$ 3,595,994	\$ 4,023,421	\$ 5,455,218	\$ 1,464,349	\$ 4,328,837	\$ 18,867,819
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued expenses	\$ 322,288	\$ -	\$ 3,255	\$ 938	\$ 30,151	\$ 356,632
Unearned revenue	-	-	-	-	1,031,176	1,031,176
Restricted accounts payable and accrued expenses	-	-	38,303	-	32,100	70,403
Total liabilities	322,288	-	41,558	938	1,093,427	1,458,211
Fund balances:						
Nonspendable						
Prepaid for public safety	-	3,450,845	-	-	-	3,450,845
Restricted						
Stabilization by State Statute	687,298	25,219	2,559,671	338,023	1,468,693	5,078,904
Downtown	-	-	9,626	-	-	9,626
Public safety	-	-	-	-	-	-
Economic and physical development	-	-	-	503,480	-	503,480
Recreation and community facilities	-	-	-	-	738,695	738,695
For streets - Powell bill	-	-	162,574	-	-	162,574
Committed						
Administration	2,586,408	-	-	-	-	2,586,408
Public safety	-	547,357	-	-	-	547,357
Transportation	-	-	2,681,789	-	-	2,681,789
Economic and physical development	-	-	-	621,908	-	621,908
Recreation and community facilities	-	-	-	-	1,028,022	1,028,022
Total fund balances	3,273,706	4,023,421	5,413,660	1,463,411	3,235,410	17,409,608
Total liabilities and fund balances	\$ 3,595,994	\$ 4,023,421	\$ 5,455,218	\$ 1,464,349	\$ 4,328,837	\$ 18,867,819

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year Ended June 30, 2014**

	General Government Fund	Public Safety Fund	Transportation Fund	Economic and Physical Development Fund	Recreational and Cultural Fund	Total Nonmajor Capital Project Funds
Revenues						
Restricted intergovernmental	\$ -	\$ 25,935	\$ -	\$ -	\$ 775,890	\$ 801,825
Miscellaneous	-	-	16,101	-	76,082	92,183
Interest earned in investments	-	-	933	777	22,678	24,388
Total revenues	<u>-</u>	<u>25,935</u>	<u>17,034</u>	<u>777</u>	<u>874,650</u>	<u>918,396</u>
Expenditures						
Administration	2,737,532	-	-	-	-	2,737,532
Public safety	-	83,356	-	-	-	83,356
Transportation	-	-	4,204,492	-	-	4,204,492
Economic and physical development	-	-	-	884,468	-	884,468
Recreational and community facilities	-	-	-	-	1,363,736	1,363,736
Total expenditures	<u>2,737,532</u>	<u>83,356</u>	<u>4,204,492</u>	<u>884,468</u>	<u>1,363,736</u>	<u>9,273,584</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,737,532)</u>	<u>(57,421)</u>	<u>(4,187,458)</u>	<u>(883,691)</u>	<u>(489,086)</u>	<u>(8,355,188)</u>
Other financing sources (uses)						
Capital lease proceeds	-	3,450,845	-	-	-	3,450,845
Transfers in	3,869,568	413,624	5,069,534	755,000	1,155,653	11,263,379
Transfers out	-	-	(23,904)	-	-	(23,904)
Sale of assets	-	-	-	-	6,745	6,745
Total other financing sources (uses)	<u>3,869,568</u>	<u>3,864,469</u>	<u>5,045,630</u>	<u>755,000</u>	<u>1,162,398</u>	<u>14,697,065</u>
Net change in fund balances	<u>1,132,036</u>	<u>3,807,048</u>	<u>858,172</u>	<u>(128,691)</u>	<u>673,312</u>	<u>6,341,877</u>
Fund balance - beginning	<u>2,141,670</u>	<u>216,373</u>	<u>4,555,488</u>	<u>1,592,102</u>	<u>2,562,098</u>	<u>11,067,731</u>
Fund balance - ending	<u>\$ 3,273,706</u>	<u>\$ 4,023,421</u>	<u>\$ 5,413,660</u>	<u>\$ 1,463,411</u>	<u>\$ 3,235,410</u>	<u>\$ 17,409,608</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Government Fund

From Inception And For Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 1,716,400	\$ 1,577,276	\$ -	\$ -	\$ 1,577,276
Expenditures					
Current					
Administration					
Clean Cities project	385,491	278,247	-	-	278,247
Computer replacements	1,793,821	1,156,839	-	510,017	1,666,856
Telephone system upgrade	123,440	123,243	-	-	123,243
Planning software	64,200	51,700	-	-	51,700
Enterprise-wide GIS	147,450	25,221	-	64,434	89,655
Disaster recovery system	777,318	372,281	-	128,252	500,533
Laserfiche Rio System	163,222	115,695	-	2,300	117,995
Uninterruptible power supply	58,650	29,366	-	4,990	34,356
Virtual server expansion	60,034	21,132	-	20,661	41,793
Wireless network expansion	151,000	97,042	-	405	97,447
Grove Street parking lot paving	412,000	-	-	233,840	233,840
Integrated cashiering system	106,180	95,559	-	-	95,559
Grove Street roof replacement	60,500	50,773	-	-	50,773
Electronic plan review system	68,500	20,525	-	-	20,525
Building projects	4,181,584	909,186	-	993,785	1,902,971
Parking lot projects	339,890	205,390	-	133,168	338,558
Demolition of city building	-	-	-	-	-
Council chambers upgrade	158,453	158,452	-	-	158,452
Energy Efficiency Conservation Block Grant (ARRA)	1,645,400	1,512,276	-	-	1,512,276
Internet telephone system	142,000	-	-	142,000	142,000
Time and attendance system	580,000	-	-	382,966	382,966
E-mail system upgrade	125,800	-	-	120,714	120,714
Total expenditures	<u>11,544,933</u>	<u>5,222,927</u>	<u>-</u>	<u>2,737,532</u>	<u>7,960,459</u>
Revenues over (under) expenditures	<u>(9,828,533)</u>	<u>(3,645,651)</u>	<u>-</u>	<u>(2,737,532)</u>	<u>(6,383,183)</u>
Other financing sources (uses)					
Transfers in	9,836,033	5,794,821	-	3,869,568	9,664,389
Transfer out	(7,500)	(7,500)	-	-	(7,500)
Total other financing sources (uses)	<u>9,828,533</u>	<u>5,787,321</u>	<u>-</u>	<u>3,869,568</u>	<u>9,656,889</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,141,670</u>	<u>\$ -</u>	<u>1,132,036</u>	<u>\$ 3,273,706</u>
Fund balance					
Beginning of year - July 1				<u>2,141,670</u>	
End of year - June 30				<u>\$ 3,273,706</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Public Safety Fund

From Inception And For Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 272,926	\$ 169,817	\$ -	\$ 25,935	\$ 195,752
Miscellaneous	-	400	400	-	-
Interest earned on investments	-	76,416	76,338	-	78
Total revenues	<u>272,926</u>	<u>246,633</u>	<u>76,738</u>	<u>25,935</u>	<u>195,830</u>
Expenditures					
Current					
Public Safety					
Fire station #15	-	2,532,054	2,532,054	-	-
Police department server upgrade	208,000	185,910	-	-	185,910
Fire station #12	500,000	-	-	-	-
Fire station #19	-	2,679,029	2,679,029	-	-
Police department CAD and RMS	3,209,917	3,134,326	-	-	3,134,326
Police department 800mhz radios	3,600,000	3,169,870	-	-	3,169,870
Police department firing range improvements	50,000	50,000	-	-	50,000
Justice Assistance Grant	222,926	119,819	-	25,935	145,754
Enhanced security systems	70,000	-	-	57,421	57,421
Police 800MHz radio lease	4,209,433	-	-	-	-
Total expenditures	<u>12,070,276</u>	<u>11,871,008</u>	<u>5,211,083</u>	<u>83,356</u>	<u>6,743,281</u>
Revenues over (under) expenditures	<u>(11,797,350)</u>	<u>(11,624,375)</u>	<u>(5,134,345)</u>	<u>(57,421)</u>	<u>(6,547,451)</u>
Other financing sources (uses)					
Issuance of debt	10,073,819	10,571,023	5,091,943	3,450,845	8,929,925
Transfers in	4,045,631	3,650,165	100,742	413,624	3,963,047
Transfers out	(2,322,100)	(2,380,440)	(58,340)	-	(2,322,100)
Total other financing sources (uses)	<u>11,797,350</u>	<u>11,840,748</u>	<u>5,134,345</u>	<u>3,864,469</u>	<u>10,570,872</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 216,373</u>	<u>\$ -</u>	<u>3,807,048</u>	<u>\$ 4,023,421</u>
Fund balance					
Beginning of year - July 1				<u>216,373</u>	
End of year - June 30				<u>\$ 4,023,421</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Transportation Fund

From Inception And For Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 1,230,000	\$ 100,000	\$ 100,000	\$ -	\$ -
Total restricted intergovernmental	<u>1,230,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Miscellaneous					
Local	-	-	-	-	-
Owner contributions	23,611	145,828	122,217	16,101	39,712
Other	30,408	32,408	2,000	-	30,408
Total miscellaneous	<u>54,019</u>	<u>178,236</u>	<u>124,217</u>	<u>16,101</u>	<u>70,120</u>
Interest earned on investments	<u>-</u>	<u>5,553</u>	<u>-</u>	<u>933</u>	<u>6,486</u>
Total revenues	<u>1,284,019</u>	<u>283,789</u>	<u>224,217</u>	<u>17,034</u>	<u>76,606</u>
Expenditures					
Current					
Transportation					
Traffic control system	125,000	-	-	-	-
Sidewalks	1,238,894	590,069	271,419	433,625	752,275
Downtown railroad enhancements	1,892,000	378,932	-	16,594	395,526
Transportation improvements	16,444,164	8,298,360	119,443	3,754,273	11,933,190
Total expenditures	<u>19,700,058</u>	<u>9,267,361</u>	<u>390,862</u>	<u>4,204,492</u>	<u>13,080,991</u>
Revenues (over) under expenditures	<u>(18,416,039)</u>	<u>(8,983,572)</u>	<u>(166,645)</u>	<u>(4,187,458)</u>	<u>(13,004,385)</u>
Other financing sources (uses)					
Transfers in	18,439,943	13,607,460	235,045	5,069,534	18,441,949
Transfers out	(23,904)	(68,400)	(68,400)	(23,904)	(23,904)
Total other financing sources (uses)	<u>18,416,039</u>	<u>13,539,060</u>	<u>166,645</u>	<u>5,045,630</u>	<u>18,418,045</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 4,555,488</u>	<u>\$ -</u>	<u>858,172</u>	<u>\$ 5,413,660</u>
Fund balance					
Beginning of year - July 1				<u>4,555,488</u>	
End of year - June 30				<u>\$ 5,413,660</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Economic and Physical Development Fund**

From Inception And For Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants	\$ 1,251,150	\$ 1,251,150	\$ -	\$ -	\$ 1,251,150
County	250,243	250,242	-	-	250,242
Total restricted intergovernmental	<u>1,501,393</u>	<u>1,501,392</u>	<u>-</u>	<u>-</u>	<u>1,501,392</u>
Interest earned on investments	<u>12,000</u>	<u>11,769</u>	<u>-</u>	<u>777</u>	<u>12,546</u>
Total revenues	<u>1,513,393</u>	<u>1,513,161</u>	<u>-</u>	<u>777</u>	<u>1,513,938</u>
Expenditures					
Current					
Economic and physical development					
Texfi Project	803,619	654,218	-	23,392	677,610
HOPE VI	6,526,000	5,394,986	-	269,369	5,664,355
Downtown parking deck	5,719,998	5,569,958	-	-	5,569,958
Military Business Park	1,251,150	1,251,150	-	-	1,251,150
Murchison Road redevelopment	880,000	50,216	-	522,795	573,011
Festival Park Plaza renovations	100,000	12,906	-	68,912	81,818
Total economic and physical development	<u>15,280,767</u>	<u>12,933,434</u>	<u>-</u>	<u>884,468</u>	<u>13,817,902</u>
Debt service	<u>242,002</u>	<u>242,002</u>	<u>-</u>	<u>-</u>	<u>242,002</u>
Total expenditures	<u>15,522,769</u>	<u>13,175,436</u>	<u>-</u>	<u>884,468</u>	<u>14,059,904</u>
Revenues over (under) expenditures	<u>(14,009,376)</u>	<u>(11,662,275)</u>	<u>-</u>	<u>(883,691)</u>	<u>(12,545,966)</u>
Other financing sources (uses)					
Transfers in	8,059,376	7,304,377	-	755,000	8,059,377
Issuance of debt	5,950,000	5,950,000	-	-	5,950,000
Total other financing sources (uses)	<u>14,009,376</u>	<u>13,254,377</u>	<u>-</u>	<u>755,000</u>	<u>14,009,377</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 1,592,102</u>	<u>\$ -</u>	<u>(128,691)</u>	<u>\$ 1,463,411</u>
Fund balance					
Beginning of year - July 1				<u>1,592,102</u>	
End of year - June 30				<u>\$ 1,463,411</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Recreational and Cultural Fund

From Inception And For Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Federal grants and contributions	\$ 265,000	\$ -	\$ -	\$ 119,410	\$ 119,410
State grants and contributions	18,000,000	15,612,600	-	648,270	16,260,870
Local	541,662	529,202	-	8,210	537,412
Total restricted intergovernmental	<u>18,806,662</u>	<u>16,141,802</u>	<u>-</u>	<u>775,890</u>	<u>16,917,692</u>
Miscellaneous					
Other	150	158,009	-	23,467	181,476
Donations	282,269	229,760	-	52,615	282,375
Total miscellaneous	<u>282,419</u>	<u>387,769</u>	<u>-</u>	<u>76,082</u>	<u>463,851</u>
Interest earned on investments	<u>503,958</u>	<u>521,800</u>	<u>-</u>	<u>22,678</u>	<u>544,478</u>
Total revenues	<u>19,593,039</u>	<u>17,051,371</u>	<u>-</u>	<u>874,650</u>	<u>17,926,021</u>
Expenditures					
Current					
Recreational and community facilities					
Freedom Park	538,939	478,909	-	11,758	490,667
NC State Veterans Park	3,092,641	2,314,105	-	11,990	2,326,095
Western Area Neighborhood Park	856,756	780,929	-	64,620	845,549
NC State Veterans Park #2	14,050,000	12,505,979	-	603,399	13,109,378
Playground equipment and improvements	819,535	583,784	-	130,375	714,159
Reid Ross track facility	176,404	174,346	-	-	174,346
Rec Trac Software	61,153	-	-	31,841	31,841
Joint use facilities with Cumberland County	431,000	377,697	-	53,303	431,000
Cape Fear River Trail Phase 2	3,514,345	145,164	-	429,031	574,195
NCFS Forestry Program	32,960	-	-	27,419	27,419
Total expenditures	<u>23,573,733</u>	<u>17,360,913</u>	<u>-</u>	<u>1,363,736</u>	<u>18,724,649</u>
Revenues over (under) expenditures	<u>(3,980,694)</u>	<u>(309,542)</u>	<u>-</u>	<u>(489,086)</u>	<u>(798,628)</u>
Other financing sources (uses)					
Transfers in	3,371,496	2,223,489	-	1,155,653	3,379,142
Transfers out	(86,155)	(86,155)	-	-	(86,155)
Sale of capital assets	695,353	731,950	-	6,745	738,695
Issuance of debt	-	2,356	-	-	2,356
Total other financing sources (uses)	<u>3,980,694</u>	<u>2,871,640</u>	<u>-</u>	<u>1,162,398</u>	<u>4,034,038</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,562,098</u>	<u>\$ -</u>	<u>673,312</u>	<u>\$ 3,235,410</u>
Fund balance					
Beginning of year - July 1				<u>2,562,098</u>	
End of year - June 30				<u>\$ 3,235,410</u>	

Proprietary Funds

- Enterprise Funds
- Internal Service Funds

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The accounting principles used here are generally accepted in the United States of America and are applicable to similar businesses in the private sector.

Enterprise Funds

Enterprise Funds account for operations that are either financed or operated in a similar manner to private businesses or for operations that the City has decided that periodic determination of net income is appropriate for capital maintenance, management control, accountability, public policy or other purposes.

The following comprise the City's Enterprise Funds:

- Electric Fund
- Water and Wastewater Fund
- Stormwater Management Fund
- Nonmajor Enterprise Funds
 - Transit Fund
 - Airport Fund
 - Environmental Services Fund

All Enterprise Funds are accounted for using the accrual basis of accounting.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Electric Fund
June 30, 2014

	Electric Fund	Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Total
ASSETS					
Current unrestricted assets					
Cash and cash equivalents	\$ 35,898,446	\$ -	\$ -	\$ -	\$ 35,898,446
Investments	40,910,203	-	-	-	40,910,203
Receivables	29,387,796	-	-	-	29,387,796
Internal balances	391,289	21,753	(2,400,295)	(484,277)	(2,471,530)
Less allowance for doubtful accounts	(246,205)	-	-	-	(246,205)
Inventories	10,808,668	-	-	-	10,808,668
Other current assets	426,269	-	-	-	426,269
Total current unrestricted assets	117,576,466	21,753	(2,400,295)	(484,277)	114,713,647
Current restricted assets					
Cash and cash equivalents	8,866,945	21,622,755	-	-	30,489,700
Investments	18,168,833	21,294,697	-	-	39,463,530
Collateral pledged in lieu of deposits	309,362	-	-	-	309,362
Receivables	596	167,124	-	-	167,720
Total current restricted assets	27,345,736	43,084,576	-	-	70,430,312
Total current assets	144,922,202	43,106,329	(2,400,295)	(484,277)	185,143,959
Noncurrent assets					
Other assets	803,047	13,093,400	-	-	13,896,447
Capital assets:					
Land	6,457,250	-	-	-	6,457,250
Construction in process	17,387,472	-	2,651,818	-	20,039,290
Electric utility systems	177,970,436	-	-	-	177,970,436
Buildings	25,428,546	-	-	-	25,428,546
Equipment and machinery	7,982,820	-	-	-	7,982,820
Computer programs	1,109,117	-	-	-	1,109,117
Intangibles	4,787,329	-	-	-	4,787,329
Vehicles	3,484,630	-	-	-	3,484,630
Office equipment	273,394	-	-	-	273,394
Capital assets, net	244,880,994	-	2,651,818	-	247,532,812
Total noncurrent assets	245,684,041	13,093,400	2,651,818	-	261,429,259
Total assets	390,606,243	56,199,729	251,523	(484,277)	446,573,218
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	451,313	-	-	-	451,313
Total deferred outflows of resources	451,313	-	-	-	451,313
LIABILITIES					
Current liabilities to be paid from unrestricted current assets					
Current portion of long-term liabilities	2,636,778	-	-	-	2,636,778
Accounts payable and accrued expenses	24,166,421	-	-	-	24,166,421
Total current liabilities to be paid from unrestricted current assets	26,803,199	-	-	-	26,803,199
Current liabilities to be paid from restricted current assets					
Accounts payable and accrued expenses	6,827,138	-	251,523	-	7,078,661
Total current liabilities to be paid from restricted current assets	6,827,138	-	251,523	-	7,078,661
Total current liabilities	33,630,337	-	251,523	-	33,881,860
Noncurrent liabilities					
Long-term liabilities	12,751,949	-	-	-	12,751,949
Other liabilities	-	-	-	-	-
Unearned deposits	8,001	-	-	-	8,001
Total noncurrent liabilities	12,759,950	-	-	-	12,759,950
Total liabilities	46,390,287	-	251,523	-	46,641,810
NET POSITION					
Net investment in capital assets	234,159,886	-	2,651,818	-	236,811,704
Restricted for - Debt service	57	-	-	-	57
Unrestricted Net Position	110,507,326	56,199,729	(2,651,818)	(484,277)	163,570,960
Total Net Position	\$ 344,667,269	\$ 56,199,729	\$ -	(484,277)	400,382,721

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Schedule of Revenues, Expenses and Changes in Net Position
Electric Fund
Year ended June 30, 2014**

	Electric Fund	Electric Rate Stabilization Fund	Electric Connect Fund	LED Lighting Fund	Total
Operating revenues					
Charges for services	\$ 217,853,786	\$ -	\$ -	\$ -	217,853,786
Total operating revenues	<u>217,853,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,853,786</u>
Operating expenses					
Power supply and generation	163,175,003	-	-	-	163,175,003
Electric operation	15,475,385	-	-	-	15,475,385
General and administrative	16,634,485	-	-	-	16,634,485
Depreciation	15,657,252	-	-	-	15,657,252
Total operating expenses	<u>210,942,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,942,125</u>
Operating income	<u>6,911,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,911,661</u>
Nonoperating revenue (expense)					
Interest earned on investments	1,142,328	537,727	-	-	1,680,055
Gain (loss) on disposal of assets	(440,957)	-	-	-	(440,957)
Interest expense	(516,684)	-	-	-	(516,684)
Amortization	(253,073)	-	-	-	(253,073)
Finance costs	(5,182)	-	-	-	(5,182)
Total nonoperating revenue (expense)	<u>(73,568)</u>	<u>537,727</u>	<u>-</u>	<u>-</u>	<u>464,159</u>
Income before transfers and contributions	<u>6,838,093</u>	<u>537,727</u>	<u>-</u>	<u>-</u>	<u>7,375,820</u>
Transfers in	16,126,757	250,000	-	-	16,376,757
Transfers out	(378,687)	(15,642,480)	-	(484,277)	(16,505,444)
Transfers in - City of Fayetteville	20,847	-	-	-	20,847
Transfers out - City of Fayetteville	(12,303,615)	-	-	-	(12,303,615)
Contributions	1,297,052	-	-	-	1,297,052
Change in Net Position	11,600,447	(14,854,753)	-	(484,277)	(3,738,583)
Total Net Position - beginning	<u>333,066,822</u>	<u>71,054,482</u>	<u>-</u>	<u>-</u>	<u>404,121,304</u>
Total Net Position - ending	<u>\$ 344,667,269</u>	<u>\$ 56,199,729</u>	<u>\$ -</u>	<u>(484,277)</u>	<u>400,382,721</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Electric Fund**

Year ended June 30, 2014

(with comparative actual amounts for the year ended June 30, 2013)

	2014			2013 Actual
	Budget	Variance Positive (Negative)	Actual	
Revenues				
Operating revenues				
Electric operations				
Sale of electricity	\$ 189,681,900	\$ 5,404,386	\$ 195,086,286	\$ 187,277,582
City Services	1,291,300	(11,729)	1,279,571	1,261,511
Non-utility charges	1,818,500	128,497	1,946,997	1,924,933
Service charges	4,060,300	429,772	4,490,072	4,070,276
Miscellaneous	18,284,400	(3,233,540)	15,050,860	17,255,489
Total operating revenues	<u>215,136,400</u>	<u>2,717,386</u>	<u>217,853,786</u>	<u>211,789,791</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(440,957)	(440,957)	2,809,566
Interest earned on investments	500,000	642,328	1,142,328	(416,683)
Total non-operating revenues	<u>500,000</u>	<u>201,371</u>	<u>701,371</u>	<u>2,392,883</u>
Contributions				
Contributions	3,400,000	(2,102,948)	1,297,052	376,903
Total contributions	<u>3,400,000</u>	<u>(2,102,948)</u>	<u>1,297,052</u>	<u>376,903</u>
Transfers in				
Transfer from City of Fayetteville	20,900	(53)	20,847	20,847
Transfer from Electric Rate Stabilization Fund	21,464,900	(5,822,420)	15,642,480	
Total transfers in	<u>21,485,800</u>	<u>(5,822,473)</u>	<u>15,663,327</u>	<u>20,847</u>
Budgetary appropriations				
Appropriated Net Position	15,383,650	(6,000,000)	9,383,650	2,791,735
Total budgetary appropriations	<u>15,383,650</u>	<u>(6,000,000)</u>	<u>9,383,650</u>	<u>2,791,735</u>
Total revenues	<u>\$ 255,905,850</u>	<u>\$ (11,006,664)</u>	<u>\$ 244,899,186</u>	<u>\$ 217,372,159</u>
Expenditures				
Operating expenditures				
Electric operations				
Power supply and generation	\$ 165,348,000	\$ 2,172,997	\$ 163,175,003	\$ 148,520,775
Administration	922,500	219,034	703,466	696,492
Apparatus repair shop	443,100	21,738	421,362	410,900
Electric meter shop	236,400	3,850	232,550	193,465
Construction and maintenance	7,176,400	(1,248,393)	8,424,793	7,686,995
Substation construction	1,852,600	(167,829)	2,020,429	1,925,800
Engineering	2,789,700	434,003	2,355,697	2,399,014
Fiber	189,600	(4,336)	193,936	79,123
SCADA	160,200	14,725	145,475	107,279
CT metering crews	445,300	98,988	346,312	489,377
Compliance	1,720,100	1,088,735	631,365	288,269
Total electric operations	<u>181,283,900</u>	<u>2,633,512</u>	<u>178,650,388</u>	<u>162,797,489</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Electric Fund**

**Year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	2014			2013 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
General and administrative				
Executive	\$ 1,368,150	\$ 380,641	\$ 987,509	\$ 838,818
Internal audit	-	(3,714)	3,714	1,857
Communications and community relations	661,100	(64,690)	725,790	618,790
Financial administration	188,750	7,084	181,666	134,072
Human resources	708,700	(62,751)	771,451	727,069
Accounting	501,900	(150)	502,050	496,201
Accounts receivable	785,450	142,783	642,667	736,719
Payroll	70,250	(5,987)	76,237	71,075
Customer accounts	1,686,550	(69,864)	1,756,414	1,628,327
Utility field services	1,253,650	111,714	1,141,936	1,104,880
Corporate development	857,600	(259,367)	1,116,967	1,046,962
Risk management	668,050	(43,201)	711,251	646,839
Collections	1,055,500	68,362	987,138	1,049,315
Capital Projects	261,300	(26,574)	287,874	264,595
Rates	216,500	(15,549)	232,049	151,460
Budget	124,550	(13,005)	137,555	127,964
Purchasing	283,800	(3,743)	287,543	274,171
Warehouse	383,900	(190,325)	574,225	550,715
Fleet maintenance	1,713,650	565,833	1,147,817	983,039
Facilities maintenance	266,000	(8,415)	274,415	265,994
Customer programs and call center	235,100	4,679	230,421	260,187
Corporate services administration	191,300	(39,535)	230,835	391,382
Development and marketing	595,350	236,529	358,821	359,046
Telecommunications systems	696,150	35,993	660,157	685,157
Information systems	1,983,250	45,312	1,937,938	1,408,634
Medical insurance	4,825,300	9,351	4,815,949	4,628,689
Other	3,891,900	1,217,359	2,674,541	2,542,999
Allocated rent and fiber clearing	(1,909,800)	421,498	(2,331,298)	(2,180,923)
Overhead clearing	(4,683,450)	88,027	(4,771,477)	(4,765,390)
Total general and administrative	18,880,450	2,528,295	16,352,155	15,048,643
Total operating expenditures	200,164,350	5,161,807	195,002,543	177,846,132
Non-operating expenditures				
Interest expense	717,000	200,316	516,684	342,522
Finance costs	11,000	5,818	5,182	5,182
Total non-operating expenditures	728,000	206,134	521,866	347,704

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Electric Fund**

**Year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	2014			2013
	Budget	Variance Positive (Negative)	Actual	Actual
Transfers out				
Transfers to City of Fayetteville	\$ 12,303,700	\$ (85)	\$ 12,303,615	\$ 10,961,399
Transfers to Electric Rate Stabilization Fund	250,000	-	250,000	250,000
Transfers to Fleet Maintenance Fund	128,500	187	128,687	21,229
Total transfers out	<u>12,682,200</u>	<u>102</u>	<u>12,682,302</u>	<u>11,232,628</u>
Budgetary appropriations				
Inventory increase (decrease)	-	90,215	(90,215)	(1,534,472)
Vehicle and equipment	-	51,980	(51,980)	29,081
Debt principal payments	1,817,300	(40)	1,817,340	1,704,246
Capital outlay	31,622,300	14,387,436	17,234,864	23,291,755
Appropriated Net Position	8,891,700	6,753,966	2,137,734	9,350,740
Total budgetary appropriations	<u>42,331,300</u>	<u>21,283,557</u>	<u>21,047,743</u>	<u>32,841,350</u>
Total expenditures	<u>\$ 255,905,850</u>	<u>\$ 26,651,600</u>	<u>\$ 229,254,454</u>	<u>\$ 222,267,814</u>
Reconciliation of change in Net Position				
Total revenues		\$ (11,006,664)	\$ 244,899,186	\$ 217,372,159
Total expenditures		26,651,600	229,254,454	222,267,814
Subtotal		<u>\$ 15,644,936</u>	15,644,732	(4,895,655)
Reconciling items:				
Budgetary appropriations			11,664,093	30,049,615
Developer			-	512,496
Depreciation			(15,657,252)	(17,806,298)
Amortization			(253,073)	(267,205)
OPEB expense			(282,330)	(397,557)
Transfer of assets (to)/from the 2014 LED Lighting Capital Project Fund			484,277	-
Total reconciling items			<u>(4,044,285)</u>	<u>12,091,051</u>
Change in Net Position			<u>\$ 11,600,447</u>	<u>\$ 7,195,396</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Electric Rate Stabilization Fund
From Inception and for the Year Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Rate stabilization transfer	\$ 4,169,725	\$ 4,169,725	\$ -	\$ 4,169,725
Interest earned on investments	4,100,000	3,507,557	537,727	4,045,284
Total revenues	<u>8,269,725</u>	<u>7,677,282</u>	<u>537,727</u>	<u>8,215,009</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>8,269,725</u>	<u>7,677,282</u>	<u>537,727</u>	<u>8,215,009</u>
Other financing sources (uses)				
Transfer from Electric Fund	68,627,155	68,377,200	250,000	68,627,200
Transfer to Electric Fund	(16,880,900)	(5,000,000)	(11,880,900)	(16,880,900)
Transfer to Electric Fund - Duke Energy True-up	(9,584,000)	-	(3,761,580)	(3,761,580)
Loan to Annexation Phase V Reserve Fund	(19,800,000)	(1,531,400)	-	(1,531,400)
Loan to Electric & W/WW General Fund	(24,286,150)	(10,271,250)	(1,290,750)	(11,562,000)
Appropriated Net Position	(6,345,830)	-	-	-
Total other financing sources (uses)	<u>(8,269,725)</u>	<u>51,574,550</u>	<u>(16,683,230)</u>	<u>34,891,320</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ 59,251,832</u>	<u>(16,145,503)</u>	<u>\$ 43,106,329</u>
Reconciling items:				
Advance receivable from W/WW for Proposed Bond Projects			1,290,750	
Change in Net Position			<u>\$ (14,854,753)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2014 Electric Connect Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Construction	-	-	2,616,300	2,616,300
Engineering	-	-	10,725	10,725
Other	-	-	24,793	24,793
Total expenditures	<u>21,000,000</u>	<u>-</u>	<u>2,651,818</u>	<u>2,651,818</u>
Revenues under expenditures	<u>(21,000,000)</u>	<u>-</u>	<u>(2,651,818)</u>	<u>(2,651,818)</u>
Other financing sources				
2014 Revenue Bond Proceeds	16,000,000			
2016 Revenue Bond Proceeds	5,000,000	-	-	-
Total other financing sources	<u>21,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(2,651,818)</u>	<u>\$ (2,651,818)</u>
Reconciling items:				
Capital outlay			2,651,818	
Transfer of assets (to)/from the Electric Fund			-	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2014 LED Lighting Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Construction	-	-	484,277	484,277
Total expenditures	<u>20,000,000</u>	<u>-</u>	<u>484,277</u>	<u>484,277</u>
Revenues under expenditures	<u>(20,000,000)</u>	<u>-</u>	<u>(484,277)</u>	<u>(484,277)</u>
Other financing sources				
Transfer from Electric REPS Reserve	3,500,000	-	-	-
2014 Revenue Bond Proceeds	7,000,000	-	-	-
2016 Revenue Bond Proceeds	9,500,000	-	-	-
Total other financing sources	<u>20,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(484,277)</u>	<u>\$ (484,277)</u>
Reconciling items:				
Capital outlay			484,277	
Transfer of assets (to)/from the Electric Fund			(484,277)	
Change in Net Position			<u>\$ (484,277)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2014

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 Edgewater Northview SRLCP Fund	2012 WTF Clearwell Chemical Fund	2013 Outfall Rehab Project	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Connect Capital Project Fund	2014 Person St Sanitary Sewer RSRL Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Total
ASSETS														
Current unrestricted assets														
Cash and cash equivalents	\$ 8,545,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	8,545,755
Investments	6,974,445	-	-	-	-	-	-	-	-	-	-	-	-	6,974,445
Receivables	15,961,847	-	-	-	-	-	-	-	-	-	-	-	-	15,961,847
Internal balances	13,824,931	-	43	(538,129)	(1,197,524)	-	(422,992)	(213,679)	(1,280,464)	(6,635,139)	(243,667)	(1,661,151)	(171,546)	1,460,683
Less Allowance for doubtful accounts	(56,923)	-	-	-	-	-	-	-	-	-	-	-	-	(56,923)
Inventories	1,652,429	-	-	-	-	-	-	-	-	-	-	-	-	1,652,429
Other current assets	606,052	-	-	-	-	-	-	-	-	-	-	-	-	606,052
Total current unrestricted assets	47,508,536	-	43	(538,129)	(1,197,524)	-	(422,992)	(213,679)	(1,280,464)	(6,635,139)	(243,667)	(1,661,151)	(171,546)	35,144,288
Current restricted assets														
Cash and cash equivalents	10,499,653	2,571,271	2,301,148	-	-	-	-	-	-	-	-	-	-	15,372,072
Investments	18,935,497	4,012,683	-	-	-	-	-	-	-	-	-	-	-	22,948,180
Receivables	10,354	1,103	-	113,013	90,359	-	422,992	213,679	-	11,493	-	2,718,430	-	3,581,423
Total current restricted assets	29,445,504	6,585,057	2,301,148	113,013	90,359	-	422,992	213,679	-	11,493	-	2,718,430	-	41,901,675
Total current assets	76,954,040	6,585,057	2,301,191	(425,116)	(1,107,165)	-	-	-	(1,280,464)	(6,623,646)	(243,667)	1,057,279	(171,546)	77,045,963
Noncurrent assets														
Other assets	2,527,063	-	-	-	-	-	-	-	-	-	-	-	-	2,527,063
Capital Assets:														
Land	9,956,821	-	-	-	-	-	-	-	-	-	-	-	-	9,956,821
Construction in process	20,579,807	-	-	3,237,575	2,743,752	-	-	-	1,512,127	2,744,105	247,765	3,821,775	1,072,134	35,959,040
Water system	182,531,331	-	-	-	-	-	-	-	-	-	-	-	-	182,531,331
Sewer system	289,097,987	-	-	-	-	-	-	-	-	-	-	-	-	289,097,987
Buildings	2,421,623	-	-	-	-	-	-	-	-	-	-	-	-	2,421,623
Equipment and machinery	3,047,285	-	-	-	-	-	-	-	-	-	-	-	-	3,047,285
Computer equipment	759,835	-	-	-	-	-	-	-	-	-	-	-	-	759,835
Intangibles	2,872,839	-	-	-	-	-	-	-	-	-	-	-	-	2,872,839
Vehicles	3,331,284	-	-	-	-	-	-	-	-	-	-	-	-	3,331,284
Office equipment	42,877	-	-	-	-	-	-	-	-	-	-	-	-	42,877
Capital assets, net	514,641,689	-	-	3,237,575	2,743,752	-	-	-	1,512,127	2,744,105	247,765	3,821,775	1,072,134	530,020,922
Total noncurrent assets	517,168,752	-	-	3,237,575	2,743,752	-	-	-	1,512,127	2,744,105	247,765	3,821,775	1,072,134	532,547,985
Total assets	594,122,792	6,585,057	2,301,191	2,812,459	1,636,587	-	-	-	231,663	(3,879,541)	4,098	4,879,054	900,588	609,593,948
DEFERRED OUTFLOWS OF RESOURCES														
Deferred charge on refunding	5,471,384	-	-	-	-	-	-	-	-	-	-	-	-	5,471,384
Total deferred outflows of resources	5,471,384	-	-	-	-	-	-	-	-	-	-	-	-	5,471,384

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Net Position
Water and Wastewater Fund
June 30, 2014

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 Edgewater Northview SRLCP Fund	2012 WTF Clearwell Chemicals Fund	2013 Outfall Rehab Project Fund	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Connect Capital Project Fund	2014 Person St Sanitary Sewer RSRL Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Total
LIABILITIES														
Current liabilities to be paid from unrestricted current assets														
Current portion of long-term liabilities	\$ 14,357,509	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,357,509
Accounts payable and accrued expenses	9,823,882	-	-	-	-	-	-	-	-	-	-	-	-	9,823,882
Total current liabilities to be paid from unrestricted current assets	24,181,391	-	-	-	-	-	-	-	-	-	-	-	-	24,181,391
Current liabilities to be paid from restricted current assets														
Accounts payable and accrued expenses	2,865,547	-	16,084	194,785	555,547	-	-	-	231,663	2,617,510	4,098	1,188,668	318,427	7,992,329
Total current liabilities to be paid from restricted current assets	2,865,547	-	16,084	194,785	555,547	-	-	-	231,663	2,617,510	4,098	1,188,668	318,427	7,992,329
Total current liabilities	27,046,938	-	16,084	194,785	555,547	-	-	-	231,663	2,617,510	4,098	1,188,668	318,427	32,173,720
Noncurrent liabilities														
Long-term liabilities	123,073,699	-	-	-	-	-	5,299,942	3,901,648	-	-	-	3,690,386	-	135,965,675
Other liabilities	9,128,946	-	1,531,400	-	-	-	-	-	-	-	-	-	-	10,660,346
Unearned deposits	2,831,941	-	-	-	-	-	-	-	-	-	-	-	-	2,831,941
Total noncurrent liabilities	135,034,586	-	1,531,400	-	-	-	5,299,942	3,901,648	-	-	-	3,690,386	-	149,457,962
Total liabilities	162,081,524	-	1,547,484	194,785	555,547	-	5,299,942	3,901,648	231,663	2,617,510	4,098	4,879,054	318,427	181,631,682
NET POSITION														
Net investment in capital assets	389,055,990	-	-	3,237,575	2,743,752	-	(5,299,942)	(3,901,648)	1,512,127	2,744,105	247,765	131,389	1,072,134	391,543,247
Restricted for -														
Capital Projects	9,758	-	-	-	-	-	-	-	-	-	-	-	-	9,758
Debt service	107,957	-	-	-	-	-	-	-	-	-	-	-	-	107,957
Unrestricted Net Position	48,338,947	6,585,057	753,707	(619,901)	(1,662,712)	-	-	-	(1,512,127)	(9,241,156)	(247,765)	(131,389)	(489,973)	41,772,688
Total Net Position	\$ 437,512,652	\$ 6,585,057	\$ 753,707	\$ 2,617,674	\$ 1,081,040	\$ -	\$ (5,299,942)	\$ (3,901,648)	\$ -	\$ (6,497,051)	\$ -	\$ -	\$ 582,161	\$ 433,433,650
Total liabilities, Deferred Inflows and Net Position	\$ 599,594,176	\$ 6,585,057	\$ 2,301,191	\$ 2,812,459	\$ 1,636,587	\$ -	\$ -	\$ -	\$ 231,663	\$ (3,879,541)	\$ 4,098	\$ 4,879,054	\$ 900,588	\$ 615,065,332

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Schedule of Revenues, Expenses and Changes in Net Position
Water and Wastewater Fund
Year ended June 30, 2014

	Water and Wastewater Fund	Water and Wastewater Rate Stabilization Fund	Annexation Phase V Reserve Fund	Annexation Phase V Areas 8/13 Capital Project Fund	Annexation Phase V Areas 14/15 Capital Project Fund	2012 Edgewater Northview SRLCP Fund	2012 WTF Clearwell Chemical Fund	2013 Outfall Rehab Project Fund	Series 2014 Water Connect Capital Project Fund	Series 2014 Water/Wastewater Connect Capital Project Fund	2014 Person St Sanitary Sewer RSRL Fund	2013 PO Hoffer Phase 1 SRLCP Fund	Annexation Phase V Areas 16/17 Capital Project Fund	Total
Operating revenues														
Charges for services	\$ 74,492,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,492,496
Total operating revenues	<u>74,492,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,492,496</u>
Operating expenses														
Water operations	14,575,051	-	-	-	-	-	-	-	-	-	-	-	-	14,575,051
Miscellaneous operating expense-water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wastewater operations	13,615,899	-	-	-	-	-	-	-	-	-	-	-	-	13,615,899
General and administrative	16,367,538	-	-	-	-	-	-	-	-	-	-	-	-	16,367,538
Depreciation	18,830,452	-	-	-	-	-	-	-	-	-	-	-	-	18,830,452
Total operating expenses	<u>63,388,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,388,940</u>
Operating income	<u>11,103,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,103,556</u>
Nonoperating revenue (expense)														
Interest earned on investments	1,191,072	30,748	234	-	-	-	-	-	-	-	-	-	-	1,222,054
Gain (loss) on disposal of assets	(23,203)	-	-	-	-	-	-	-	-	-	-	-	-	(23,203)
Interest expense	(6,052,295)	-	(32,474)	-	-	-	-	-	-	-	-	-	-	(6,084,769)
Amortization	(461,226)	-	-	-	-	-	-	-	-	-	-	-	-	(461,226)
Finance costs	(57,406)	-	-	-	-	-	-	-	-	-	-	-	-	(57,406)
Total nonoperating revenue (expense)	<u>(5,403,058)</u>	<u>30,748</u>	<u>(32,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,404,560)</u>
Income (loss) before transfers and contributions	<u>5,700,498</u>	<u>30,748</u>	<u>(32,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,699,006</u>
Transfers in	19,465,348	250,000	3,308,859	3,680,490	644,342	-	-	-	-	-	-	-	582,161	27,931,200
Transfers out	(3,687,546)	-	(5,648,641)	(3,025,059)	-	-	(5,299,942)	(3,901,648)	-	(6,497,051)	-	-	-	(28,059,887)
Transfers in - City of Fayetteville	572,935	-	3,786,035	-	-	-	-	-	-	-	-	-	-	4,358,970
Capital Contributions	8,143,723	-	-	-	-	-	-	-	-	-	-	-	-	8,143,723
Change in Net Position	<u>30,194,958</u>	<u>280,748</u>	<u>1,414,013</u>	<u>655,431</u>	<u>644,342</u>	<u>-</u>	<u>(5,299,942)</u>	<u>(3,901,648)</u>	<u>-</u>	<u>(6,497,051)</u>	<u>-</u>	<u>-</u>	<u>582,161</u>	<u>18,073,012</u>
Total Net Position - beginning	<u>407,317,694</u>	<u>6,304,309</u>	<u>(660,306)</u>	<u>1,962,243</u>	<u>436,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,360,638</u>
Total Net Position - ending	<u>\$ 437,512,652</u>	<u>\$ 6,585,057</u>	<u>\$ 753,707</u>	<u>\$ 2,617,674</u>	<u>\$ 1,081,040</u>	<u>\$ -</u>	<u>\$ (5,299,942)</u>	<u>\$ (3,901,648)</u>	<u>\$ -</u>	<u>\$ (6,497,051)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 582,161</u>	<u>\$ 433,433,650</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Water and Wastewater Fund**

**Year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	<u>Budget</u>	<u>2014 Variance Positive (Negative)</u>	<u>Actual</u>	<u>2013 Actual</u>
Revenues				
Operating revenues				
Water operations				
Water Sales	\$ 34,737,800	\$ (2,102,278)	\$ 32,635,522	\$ 31,188,371
Connection fees	306,000	(16,079)	289,921	372,635
City Services	253,700	(38,218)	215,482	200,163
Total water operations	<u>35,297,500</u>	<u>(2,156,575)</u>	<u>33,140,925</u>	<u>31,761,169</u>
Wastewater operations				
Sewer charges	38,838,500	(479,867)	38,358,633	36,595,536
Connection fees	220,000	(36,273)	183,727	1,219,799
City services	90,300	(4,149)	86,151	83,441
Total wastewater operations	<u>39,148,800</u>	<u>(520,289)</u>	<u>38,628,511</u>	<u>37,898,776</u>
Other operating revenues				
Non-utility charges	1,284,800	(89,307)	1,195,493	1,253,833
Service charges	1,259,400	60,519	1,319,919	223,879
Miscellaneous	279,300	(71,652)	207,648	265,623
Total other operating revenues	<u>2,823,500</u>	<u>(100,440)</u>	<u>2,723,060</u>	<u>1,743,335</u>
Total operating revenues	<u>77,269,800</u>	<u>(2,777,304)</u>	<u>74,492,496</u>	<u>71,403,280</u>
Non-operating revenues				
Gain (loss) on asset disposal	-	(23,203)	(23,203)	(849,764)
Interest earned on investments	1,260,000	(68,928)	1,191,072	767,481
Total non-operating revenues	<u>1,260,000</u>	<u>(92,131)</u>	<u>1,167,869</u>	<u>(82,283)</u>
Contributions				
Contributions	3,785,000	(425,125)	3,359,875	3,407,095
Total contributions	<u>3,785,000</u>	<u>(425,125)</u>	<u>3,359,875</u>	<u>3,407,095</u>
Transfers in				
Transfer from City of Fayetteville	385,200	187,735	572,935	385,200
Transfer from Annexation Phase V Reserve Fund	-	741,648	741,648	565,943
Total transfers in	<u>385,200</u>	<u>929,383</u>	<u>1,314,583</u>	<u>951,143</u>
Budgetary appropriations				
Department of Transportation financing	11,831,000	(11,831,000)	-	(85,027)
Cumberland county note proceeds	39,600	-	39,600	39,600
Fort Bragg note proceeds	7,068,500	226,519	7,295,019	152,189
Appropriations of Net Position	13,470,850	(3,801,776)	9,669,074	13,392,876
Total budgetary appropriations	<u>32,409,950</u>	<u>(15,406,257)</u>	<u>17,003,693</u>	<u>13,499,638</u>
Total revenues	<u>\$ 115,109,950</u>	<u>\$ (17,771,434)</u>	<u>\$ 97,338,516</u>	<u>\$ 89,178,873</u>
Expenditures				
Operating expenditures				
Water operations				
Administration and engineering	\$ 1,537,950	\$ 337,450	\$ 1,200,500	\$ 1,211,818
Water meter shop	145,700	(41,499)	187,199	84,844
Water maintenance and repair	4,945,900	(346,456)	5,292,356	5,222,857
Contract system maintenance	69,050	(17,585)	86,635	131,700
P. O. Hoffer water treatment plant	5,667,600	915,177	4,752,423	4,912,640
Glenville Lake water treatment plant	2,371,800	32,708	2,339,092	2,316,287
Water Resources environmental system protection	196,300	(10,625)	206,925	179,403
Laboratory	238,750	16,485	222,265	226,612
Environmental	114,250	(1,692)	115,942	109,828
Watersheds	158,300	(13,414)	171,714	166,704
Total water operations	<u>15,445,600</u>	<u>870,549</u>	<u>14,575,051</u>	<u>14,562,693</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Water and Wastewater Fund**

**Year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	<u>Budget</u>	<u>2014 Variance Positive (Negative)</u>	<u>Actual</u>	<u>2013 Actual</u>
Expenditures (continued)				
Operating expenditures (continued)				
Wastewater operations				
Administration and engineering	\$ 1,537,950	\$ 337,450	\$ 1,200,500	\$ 1,211,819
Sewer maintenance and repair	6,364,300	(66,160)	6,430,460	5,840,957
Contract system maintenance	69,050	11,294	57,756	87,800
Cross Creek WW treatment plant	2,758,400	179,283	2,579,117	2,583,689
Rockfish Creek WW treatment plant	2,502,500	(49,728)	2,552,228	2,492,706
Residuals management	292,100	41,394	250,706	283,797
Water resource environmental system protection	196,300	(10,624)	206,924	179,402
Laboratory	238,750	16,485	222,265	226,611
Environmental	114,250	(1,693)	115,943	109,828
Total wastewater operations	<u>14,073,600</u>	<u>457,701</u>	<u>13,615,899</u>	<u>13,016,609</u>
General and administrative				
Executive	852,250	461,346	390,904	459,518
Internal audit	-	(3,737)	3,737	1,857
Communications and community relations	661,100	(11,915)	673,015	590,429
Financial administration	188,750	15,261	173,489	134,620
Human resources	708,700	(3,868)	712,568	687,736
Accounting	501,900	22,928	478,972	456,352
Accounts receivable	785,450	143,685	641,765	733,885
Payroll	70,250	(5,973)	76,223	70,779
Customer accounts	1,686,550	(69,239)	1,755,789	1,581,480
Utility field service	1,253,650	92,697	1,160,953	1,203,256
Corporate development	857,400	(248,149)	1,105,549	996,622
Risk management	668,050	77,026	591,024	584,872
Collections	428,800	68,648	360,152	443,426.00
Capital projects	261,300	(27,240)	288,540	262,853
Rates	216,500	91,727	124,773	172,516
Budget	124,550	(12,068)	136,618	127,890
Purchasing	283,800	(4,472)	288,272	271,768
Warehouse	383,900	152,967	230,933	190,903
Fleet maintenance	1,713,650	(178,167)	1,891,817	1,695,070
Facilities maintenance	266,000	(1,468)	267,468	260,699
Customer programs administration and call center	235,100	10,471	224,629	257,139
Corporate services administration	136,900	(72,078)	208,978	286,613
Development and marketing	495,350	85,245	410,105	348,264

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Water and Wastewater Fund**

**Year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	2014			2013 Actual
	Budget	Variance Positive (Negative)	Actual	
Expenditures (continued)				
Operating expenditures (continued)				
General and administrative (continued)				
Telecommunications systems	\$ 696,150	\$ 75,566	\$ 620,584	\$ 679,186
Information systems	1,946,950	(30,085)	1,977,035	1,441,352
Medical insurance	5,962,600	807,079	5,155,521	5,347,140
Other	1,146,200	(255,929)	1,402,129	866,114
Overhead clearing	(3,961,050)	1,362,520	(5,323,570)	(4,998,795)
Total general and administrative	<u>18,570,750</u>	<u>2,542,778</u>	<u>16,027,972</u>	<u>15,153,544</u>
Total operating expenditures	<u>48,089,950</u>	<u>3,871,028</u>	<u>44,218,922</u>	<u>42,732,846</u>
Non-operating expenditures				
Interest expense	6,396,000	343,705	6,052,295	6,007,693
Finance costs	85,600	28,194	57,406	94,980
Total non-operating expenditures	<u>6,481,600</u>	<u>371,899</u>	<u>6,109,701</u>	<u>6,102,673</u>
Transfers out				
Transfer to W/WW Rate Stabilization Fund	250,000	-	250,000	250,000
Transfer to Annexation Phase V Reserve Fund	3,364,300	55,441	3,308,859	2,736,281
Transfer to Fleet Maintenance Fund	128,500	(187)	128,687	21,229
Total transfers out	<u>3,742,800</u>	<u>55,254</u>	<u>3,687,546</u>	<u>3,007,510</u>
Budgetary appropriations				
Inventory increase (decrease)	-	283,052	(283,052)	143,738
Vehicle and equipment increase (decrease)	-	59,256	(59,256)	213,037
Debt principal payments	13,003,900	2,236,095	10,767,805	10,325,899
Note payments	-	(39,600)	39,600	1,267,849
NC DOT project payments	2,500,000	2,500,000	-	331,163
Capital outlay	28,460,700	17,255,673	11,205,027	22,326,281
Appropriation of Net Position	12,831,000	5,239,453	7,591,547	3,772,000
Total budgetary appropriations	<u>56,795,600</u>	<u>27,533,929</u>	<u>29,261,671</u>	<u>38,379,967</u>
Total expenditures	<u>\$ 115,109,950</u>	<u>\$ 31,832,110</u>	<u>\$ 83,277,840</u>	<u>\$ 90,222,996</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
Water and Wastewater Fund**

**Year ended June 30, 2014
(with comparative actual amounts for the year ended June 30, 2013)**

	2014		2013 Actual
	Budget	Variance Positive (Negative)	
Reconciliation of change in Net Position			
Total revenue		\$ (17,771,434)	\$ 97,338,516
Total expenditures		31,832,110	83,277,840
Subtotal		<u>\$ 14,060,676</u>	14,060,676
			(1,044,123)
Reconciling items:			
Budgetary appropriations			12,257,978
Depreciation			24,880,329
Amortization			(18,830,452)
OPEB expense			(461,226)
Developer and FIF credits			(339,566)
Assessments			4,783,848
Transfer of assets (to) / from Annexation Phase V, Areas 8-13			-
Transfer of assets (to) / from Clearwell Chemical Capital Project Fund			2,449
Transfer of assets (to) / from Outfall Rehab Capital Project Fund			3,025,059
Transfer of assets (to) / from Series 2014 Water/WW Connect Capital Project Fund			5,330,935
Transfer of assets (to) / from Series 2009B Revenue Bond Capital Project Fund			5,299,942
			3,901,648
			6,497,051
			-
Total reconciling items			<u>16,134,282</u>
			<u>16,504,375</u>
Change in Net Position			<u>\$ 30,194,958</u>
			<u>\$ 15,460,252</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Water and Wastewater Rate Stabilization Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 360,000	\$ 304,309	\$ 30,748	\$ 335,057
Total revenues	<u>360,000</u>	<u>304,309</u>	<u>30,748</u>	<u>335,057</u>
Other financing sources				
Transfer from Water and Wastewater Fund	6,250,000	6,000,000	250,000	6,250,000
Appropriated Net Position	(6,610,000)	-	-	-
Total other financing sources	<u>(360,000)</u>	<u>6,000,000</u>	<u>250,000</u>	<u>6,250,000</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 6,304,309</u>	280,748	<u>\$ 6,585,057</u>
Change in Net Position			<u>\$ 280,748</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation Phase V Reserve Fund
From Inception and for the Year Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on investments	\$ 6,500	\$ 4,778	\$ 234	\$ 5,012
Total revenues	<u>6,500</u>	<u>4,778</u>	<u>234</u>	<u>5,012</u>
Expenditures				
Interest	35,000	38,820	32,474	71,294
Total expenditures	<u>35,000</u>	<u>38,820</u>	<u>32,474</u>	<u>71,294</u>
Revenues over (under) expenditures	<u>(28,500)</u>	<u>(34,042)</u>	<u>(32,240)</u>	<u>(66,283)</u>
Other financing sources (uses)				
Advance from Electric Rate Stabilization Fund	19,800,000	1,531,400	-	1,531,400
Assessments transfer	4,676,000	3,046,028	1,620,596	4,666,624
Transfer from Water and Wastewater Fund	7,235,801	5,547,538	1,688,263	7,235,801
Transfer from the City	8,118,618	4,332,584	3,786,035	8,118,619
Transfer from Annexation Phase V, Project 1 Fund	727,903	727,903	-	727,903
Transfer to Annexation Phase V, Areas 8-13 Fund	(20,768,323)	(12,582,302)	(3,680,490)	(16,262,792)
Transfer to Annexation Phase V, Areas 14-15 Fund	(6,200,000)	(436,698)	(644,342)	(1,081,040)
Transfer to Annexation Phase V, Areas 16-17 Fund	(11,000,000)	-	(582,161)	(582,161)
Transfer to Water and Wastewater Fund	(1,816,700)	(1,261,317)	(741,649)	(2,002,966)
Appropriated Net Position	(744,799)	-	-	-
Total other financing sources (uses)	<u>28,500</u>	<u>905,136</u>	<u>1,446,252</u>	<u>2,351,388</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 871,094</u>	1,414,013	<u>\$ 2,285,106</u>
Reconciling items:				
Change in Net Position			<u>\$ 1,414,013</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation - Phase V-Areas 8 through 13 Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	15,134,422	4,129,798	19,264,220
Engineering	-	2,266,444	60,756	2,327,200
Rights of way	-	534,393	4,975	539,368
Less City of Fayetteville participation	-	(1,765,037)	(600,299)	(2,365,336)
Other	-	1,117,680	231,236	1,348,916
Total expenditures	<u>25,000,000</u>	<u>17,287,902</u>	<u>3,826,466</u>	<u>21,114,368</u>
Revenues under expenditures	<u>(25,000,000)</u>	<u>(17,287,902)</u>	<u>(3,826,466)</u>	<u>(21,114,368)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	20,768,323	12,582,301	3,680,491	16,262,792
Series 2009B Bond Proceeds	4,231,677	4,231,676	-	4,231,676
Total other financing sources	<u>25,000,000</u>	<u>16,813,977</u>	<u>3,680,491</u>	<u>20,494,468</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (473,925)</u>	<u>(145,975)</u>	<u>\$ (619,900)</u>
Reconciling items:				
Capital outlay			3,826,466	
Transfer of assets (to)/from the Water and Wastewater Fund			(3,025,059)	
Change in Net Position			<u>\$ 655,432</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation - Phase V-Areas 14 through 15 Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction			2,145,781	2,145,781
Engineering	-	427,653	42,646	470,300
Rights of way	-	20,039	59,912	79,951
City Participation	-	-	(77,851)	(77,851)
Other	-	22,714	102,858	125,571
Total expenditures	<u>6,200,000</u>	<u>470,406</u>	<u>2,273,346</u>	<u>2,743,752</u>
Revenues under expenditures	<u>(6,200,000)</u>	<u>(470,406)</u>	<u>(2,273,346)</u>	<u>(2,743,752)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund	6,200,000	436,698	644,342	1,081,040
Total other financing sources	<u>6,200,000</u>	<u>436,698</u>	<u>644,342</u>	<u>1,081,040</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (33,708)</u>	<u>(1,629,004)</u>	<u>\$ (1,662,712)</u>
Reconciling items:				
Capital outlay			2,273,346	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Change in Net Position			<u>\$ 644,342</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of 2012 Edgewater/Northview
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	426,666	-	426,666
Engineering	-	2,500	-	2,500
City Participation	-	(51,727)	-	(51,727)
Other	-	5,349	-	5,349
Total expenditures	<u>656,376</u>	<u>382,788</u>	<u>-</u>	<u>382,788</u>
Revenues under expenditures	<u>(656,376)</u>	<u>(382,788)</u>	<u>-</u>	<u>(382,788)</u>
Other financing sources				
State Revolving Loan Proceeds	656,376	382,788	-	382,788
Total other financing sources	<u>656,376</u>	<u>382,788</u>	<u>-</u>	<u>382,788</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciling items:				
Capital outlay			-	
Loan Proceeds			-	
Change in Net Position			<u>\$ -</u>	

Capital Project Fund closed at June 30, 2014.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of 2012 Water Treatment Facility Clearwell and Chemical Improvement
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	4,472,784	296,310	4,769,094
Engineering	-	415,876	-	415,876
Other	-	113,294	1,678	114,972
Total expenditures	<u>5,400,000</u>	<u>5,001,954</u>	<u>297,988</u>	<u>5,299,942</u>
Revenues under expenditures	<u>(5,400,000)</u>	<u>(5,001,954)</u>	<u>(297,988)</u>	<u>(5,299,942)</u>
Other financing sources				
State Revolving Loan Proceeds	5,400,000	4,877,609	422,333	5,299,942
Total other financing sources	<u>5,400,000</u>	<u>4,877,609</u>	<u>422,333</u>	<u>5,299,942</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (124,345)</u>	124,345	<u>\$ -</u>
Reconciling items:				
Capital outlay			297,988	
Transfer of assets (to)/from the Water and Wastewater Fund			(5,299,942)	
Loan Proceeds			(422,333)	
Change in Net Position			<u>\$ (5,299,942)</u>	

Capital Project Fund closed at June 30, 2014.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of 2013 Outfall Rehabilitation
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Construction	-	1,864,731	1,882,104	3,746,835
Other	-	26,214	128,599	154,813
Total expenditures	<u>3,922,282</u>	<u>1,890,945</u>	<u>2,010,703</u>	<u>3,901,648</u>
Revenues under expenditures	<u>(3,922,282)</u>	<u>(1,890,945)</u>	<u>(2,010,703)</u>	<u>(3,901,648)</u>
Other financing sources				
State Revolving Loan Proceeds	3,922,282	1,797,501	2,104,147	3,901,648
Total other financing sources	<u>3,922,282</u>	<u>1,797,501</u>	<u>2,104,147</u>	<u>3,901,648</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ (93,444)</u>	93,444	<u>\$ -</u>
Reconciling items:				
Capital outlay			2,010,703	
Loan Proceeds			(2,104,147)	
Transfer of assets (to)/from the Water and Wastewater Fund			(3,901,648)	
Change in Net Position			<u>\$ (3,901,648)</u>	

Capital Project Fund closed at June 30, 2014.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2014 Water Connect Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Construction	-	-	1,423,905	1,423,905
Engineering	-	-	10,725	10,725
Other	-	-	77,497	77,497
Total expenditures	<u>24,000,000</u>	<u>-</u>	<u>1,512,127</u>	<u>1,512,127</u>
Revenues under expenditures	<u>(24,000,000)</u>	<u>-</u>	<u>(1,512,127)</u>	<u>(1,512,127)</u>
Other financing sources				
2014 Revenue Bond Proceeds	17,000,000	-	-	-
2016 Revenue Bond Proceeds	7,000,000	-	-	-
Total other financing sources	<u>24,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(1,512,127)</u>	<u>\$ (1,512,127)</u>
Reconciling items:				
Capital outlay			<u>1,512,127</u>	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Series 2014 Water and Wastewater Revenue Bond
Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Construction	-	-	7,584,770	7,584,770
Engineering	-	-	1,593,942	1,593,942
ROW	-	-	2,500	2,500
Other	-	-	59,944	59,944
Total expenditures	<u>50,000,000</u>	<u>-</u>	<u>9,241,156</u>	<u>9,241,156</u>
Revenues under expenditures	<u>(50,000,000)</u>	<u>-</u>	<u>(9,241,156)</u>	<u>(9,241,156)</u>
Other financing sources				
2014 Revenue Bond Proceeds	50,000,000	-	-	-
Total other financing sources	<u>50,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(9,241,156)</u>	<u>\$ (9,241,156)</u>
Reconciling items:				
Capital outlay			9,241,156	
Transfer of assets (to)/from the Water and Wastewater Fund			(6,497,051)	
Change in Net Position			<u>\$ (6,497,051)</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of 2014 Person Street Sanitary Sewer Replacement
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Construction	-	-	-	-
Engineering	-	-	231,448	231,448
Loan Closing Costs	-	-	-	-
Other	-	-	16,317	16,317
Total expenditures	<u>2,967,243</u>	<u>-</u>	<u>247,765</u>	<u>247,765</u>
Revenues under expenditures	<u>(2,967,243)</u>	<u>-</u>	<u>(247,765)</u>	<u>(247,765)</u>
Other financing sources				
State Revolving Loan Proceeds	2,967,243	-	-	-
Total other financing sources	<u>2,967,243</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(247,765)</u>	<u>\$ (247,765)</u>
Reconciling items:				
Capital outlay			247,765	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Loan Proceeds			-	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of 2013 PO Hoffer Phase 1
State Revolving Loan Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Interest earned on invested bond proceeds	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Construction	-	-	2,245,411	2,245,411
Engineering	-	-	1,280,327	1,280,327
Loan Closing Costs	-	-	296,037	296,037
Total expenditures	<u>19,521,552</u>	<u>-</u>	<u>3,821,775</u>	<u>3,821,775</u>
Revenues under expenditures	<u>(19,521,552)</u>	<u>-</u>	<u>(3,821,775)</u>	<u>(3,821,775)</u>
Other financing sources				
State Revolving Loan Proceeds	19,521,552	-	3,690,386	3,690,386
Total other financing sources	<u>19,521,552</u>	<u>-</u>	<u>3,690,386</u>	<u>3,690,386</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(131,389)</u>	<u>\$ (131,389)</u>
Reconciling items:				
Capital outlay			3,821,775	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Loan Proceeds			<u>(3,690,386)</u>	
Change in Net Position			<u>\$ -</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of Annexation Phase V - Areas 16 through 17 Capital Project Fund
From Inception and for the Period Ended June 30, 2014**

	<u>Project Authorization</u>	<u>Total Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Engineering	-	-	1,015,253	1,015,253
Right of Way	-	-	32,650	32,650
Other	-	-	24,230	24,230
Total expenditures	<u>11,000,000</u>	<u>-</u>	<u>1,072,133</u>	<u>1,072,133</u>
Revenues under expenditures	<u>(11,000,000)</u>	<u>-</u>	<u>(1,072,133)</u>	<u>(1,072,133)</u>
Other financing sources				
Transfer from Annexation Phase V Reserve Fund Fund	11,000,000	-	582,161	582,161
Total other financing sources	<u>11,000,000</u>	<u>-</u>	<u>582,161</u>	<u>582,161</u>
Revenues and other financing sources under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(489,972)</u>	<u>\$ (489,972)</u>
Reconciling items:				
Capital outlay			1,072,133	
Transfer of assets (to)/from the Water and Wastewater Fund			-	
Change in Net Position			<u>\$ 582,161</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Balance Sheet
Storm Water Management Fund
June 30, 2014**

	<u>2014</u>
Assets	
Current assets	
Cash and investments	\$ 10,521,220
Accounts receivable	115,964
Restricted cash and investments	3,724,385
Restricted accounts receivable	2,723
Total current assets	<u>14,364,292</u>
Noncurrent assets	
Capital assets	<u>24,379,366</u>
Total noncurrent assets	<u>24,379,366</u>
Total assets	<u><u>\$ 38,743,658</u></u>
Liabilities and net position	
Current liabilities	
Accounts payable and accrued expenses	\$ 439,482
Current portion of long-term liabilities	726,988
Restricted accounts payable and accrued expenses	6,181
Restricted unearned deposits	1,272,037
Total current liabilities	<u>2,444,688</u>
Noncurrent liabilities	
Net OPEB obligation	331,479
Unearned revenue	15,544
Long-term debt	8,925,448
Total noncurrent liabilities	<u>9,272,471</u>
Total liabilities	<u>11,717,159</u>
Net position	
Net investment in capital assets	17,248,490
Restricted for:	
Capital projects	19,288
Operating projects	1,020
Unrestricted net position	9,757,701
Total net position	<u>27,026,499</u>
Total liabilities and net position	<u><u>\$ 38,743,658</u></u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Statement of Revenues, Expenses and Changes in Net Position
Storm Water Management Fund
Year Ended June 30, 2014**

	<u>2014</u>
Operating revenues	
Charges for services	\$ 5,268,914
Other revenue from operations	14,762
Total operating revenues	<u>5,283,676</u>
Operating expenses	
Salaries and employee benefits	2,071,012
Other operating expenses	1,475,468
Depreciation	818,961
Total operating expenses	<u>4,365,441</u>
Operating income (loss)	<u>918,235</u>
Nonoperating revenue (expense)	
Interest earned on investments	83,478
Miscellaneous revenues	148,088
Gain (loss) on disposal of capital assets	7,659
Interest expense	(223,380)
Total nonoperating revenue (expense)	<u>15,845</u>
Income (loss) before transfers and contributions	<u>934,080</u>
Capital contributions	397,774
Change in net position	<u>1,331,854</u>
Total net position - beginning	<u>25,694,645</u>
Total net position - ending	<u><u>\$ 27,026,499</u></u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Storm Water Management Fund

Year Ended June 30, 2014
(With Comparative Actual Amounts for Year Ended June 30, 2013)

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Operating revenues				
Charges for services	\$ 5,270,892	\$ 2,968	\$ 5,273,860	\$ 5,229,066
Other revenue from operations	13,016	1,746	14,762	14,327
Total operating revenues	<u>5,283,908</u>	<u>4,714</u>	<u>5,288,622</u>	<u>5,243,393</u>
Operating expenditures				
Personnel	2,024,685	31,965	1,992,720	1,413,833
Other operating expenditures	1,687,568	286,887	1,400,681	865,525
Cost redistribution	75,000	-	75,000	75,000
Total operating expenditures	<u>3,787,253</u>	<u>318,852</u>	<u>3,468,401</u>	<u>2,354,358</u>
Operating income (loss)	<u>1,496,655</u>	<u>323,566</u>	<u>1,820,221</u>	<u>2,889,035</u>
Nonoperating revenues (expenditures)				
Miscellaneous	120,500	27,588	148,088	17,888
Interest earned on investments	28,858	15,624	44,482	(10,949)
Debt service - principal payment	(620,030)	-	(620,030)	(600,030)
Interest expense	(301,196)	1	(301,195)	(319,378)
Nonoperating revenues (expenditures)	<u>(771,868)</u>	<u>43,213</u>	<u>(728,655)</u>	<u>(912,469)</u>
Revenues over (under) expenditures	<u>724,787</u>	<u>366,779</u>	<u>1,091,566</u>	<u>1,976,566</u>
Other financing sources (uses)				
Sale of capital assets	-	7,659	7,659	6,021
Transfers out	(2,486,618)	-	(2,486,618)	(5,506,599)
Appropriated fund balance	1,761,831	(1,761,831)	-	-
Total other financing sources (uses)	<u>(724,787)</u>	<u>(1,754,172)</u>	<u>(2,478,959)</u>	<u>(5,500,578)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (1,387,393)</u>	<u>\$ (1,387,393)</u>	<u>\$ (3,524,012)</u>
Reconciliation of change in net position				
Total revenues			\$ 5,488,851	\$ 5,256,353
Total expenditures			6,876,244	8,780,365
Subtotal			<u>(1,387,393)</u>	<u>(3,524,012)</u>
Depreciation			(818,961)	(632,312)
Change in accrued vacation			(28,863)	1,939
Proceeds from sale of assets			(7,659)	(6,021)
Gain (loss) on disposal of assets			7,659	6,021
Principal payment			620,030	600,030
Unearned revenue			(4,946)	4,272
Bad debt expense			223	(292)
Capitalized interest			70,043	103,273
Accrued interest			7,772	7,511
Net OPEB expense			(49,429)	(30,751)
Transfer of assets (to)/from government-wide			397,774	-
Subtotal			<u>193,643</u>	<u>53,670</u>
Change in net position			<u>\$ (1,193,750)</u>	<u>\$ (3,470,342)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of
Storm Water Management Capital Project Fund

From Inception And For Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental					
Local	\$ -	\$ 10,499	\$ -	\$ -	\$ 10,499
Total restricted ingovernmental	<u>-</u>	<u>10,499</u>	<u>-</u>	<u>-</u>	<u>10,499</u>
Interest earned on investments	<u>-</u>	<u>38,898</u>	<u>-</u>	<u>41,100</u>	<u>79,998</u>
Total revenues	<u>-</u>	<u>49,397</u>	<u>-</u>	<u>41,100</u>	<u>90,497</u>
Expenditures					
Current					
Environmental Protection					
Annexation area improvements	3,530,538	2,229,989	-	726,502	2,956,491
Godfrey Outfall	372,000	43,875	-	8,775	52,650
Bonnie Doone	44,961	43,232	-	-	43,232
Lyon Rd/Rogers Dr Construction	150,006	150,006	-	-	150,006
Lockwood and Ravenhill	216,454	216,454	-	-	216,454
Seabrook	375,441	375,441	-	-	375,441
Spruce St/Forest Hill Dr	646,535	595,014	-	51,519	646,533
LaFayette Village/Spruce Dr	2,359,200	2,359,199	-	-	2,359,199
Cottonade	462,902	462,902	-	-	462,902
Buckhead Creek Group 1	257,981	257,981	-	-	257,981
McNeill Circle	1,924,317	1,217,037	-	700,125	1,917,162
Yadkin Rd	2,667,403	136,745	-	8,090	144,835
Summerhill	1,053,818	1,053,818	-	-	1,053,818
Anson Pond	322,791	322,791	-	-	322,791
Buckhead Creek Watershed Regiment	826,663 65,000	694,601 -	- -	55,190 -	749,791 -
Spruce St - Phase II	75,000	-	-	-	-
Roxie Ave Phase I	315,000	-	-	73,441	73,441
N. Edgewater Drive	53,672	51,909	-	-	51,909
Seabrook Phase II	65,366	-	-	65,366	65,366
Bonnie Doone (West Outfall 3)	808,500	-	-	28,359	28,359
Murray Hill Rd repair	599,751	536,317	-	37,727	574,044
Coventry Rd culvert stream imp	1,088,230	-	-	-	-
Buckhead Kingsford	1,824,146	-	-	2,060	2,060
Brigadoon Lane Infiltration Basin	316,377	-	-	-	-
Boonie Doone Area 12	112,350	-	-	-	-
Westmont Drive	65,000	-	-	32,344	32,344
Stormwater drainage miscellaneous	2,385,278	334,030	-	287,503	621,533
Total expenditures	<u>22,984,680</u>	<u>11,081,341</u>	<u>-</u>	<u>2,077,001</u>	<u>13,158,342</u>
Revenues over (under) expenditures	<u>(22,984,680)</u>	<u>(11,031,944)</u>	<u>-</u>	<u>(2,035,901)</u>	<u>(13,067,845)</u>
Other financing sources (uses)					
Transfers in	12,389,680	9,903,062	-	2,486,618	12,389,680
Bond proceeds	10,595,000	10,595,000	-	-	10,595,000
Total other financing sources (uses)	<u>22,984,680</u>	<u>20,498,062</u>	<u>-</u>	<u>2,486,618</u>	<u>22,984,680</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 9,466,118</u>	<u>\$ -</u>	<u>\$ 450,717</u>	<u>\$ 9,916,835</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 450,717	
Capital outlay				2,077,001	
Non-capitalizable items				(10)	
Capitalized interest				(2,104)	
Change in net position				<u>\$ 2,525,604</u>	



2014

Nonmajor Enterprise Funds

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2014**

	<u>Transit Fund</u>	<u>Airport Fund</u>	<u>Environmental Services Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets				
Current assets				
Cash and investments	\$ 2,371,011	\$ 9,060,544	\$ 2,418,660	\$ 13,850,215
Accounts receivable	1,102,477	1,978,027	277,953	3,358,457
Inventories	201,825	6,896	42,123	250,844
Restricted cash and investments	-	1,052,818	-	1,052,818
Restricted accounts receivable	-	495	-	495
Total current assets	<u>3,675,313</u>	<u>12,098,780</u>	<u>2,738,736</u>	<u>18,512,829</u>
Noncurrent assets				
Capital assets	14,112,093	45,124,038	4,604,337	63,840,468
Total noncurrent assets	<u>14,112,093</u>	<u>45,124,038</u>	<u>4,604,337</u>	<u>63,840,468</u>
Total assets	<u>\$ 17,787,406</u>	<u>\$ 57,222,818</u>	<u>\$ 7,343,073</u>	<u>\$ 82,353,297</u>
Liabilities and net position				
Current liabilities				
Accounts payable and accrued expenses	\$ 414,726	\$ 1,445,610	\$ 678,192	\$ 2,538,528
Current portion of long-term liabilities	198,645	80,201	265,758	544,604
Restricted unearned deposits	-	1,025	-	1,025
Total current liabilities	<u>613,371</u>	<u>1,526,836</u>	<u>943,950</u>	<u>3,084,157</u>
Noncurrent liabilities				
Net OPEB obligation	742,491	264,697	84,551	1,091,739
Unearned revenues	1,560	27,479	-	29,039
Total noncurrent liabilities	<u>744,051</u>	<u>292,176</u>	<u>84,551</u>	<u>1,120,778</u>
Total liabilities	<u>1,357,422</u>	<u>1,819,012</u>	<u>1,028,501</u>	<u>4,204,935</u>
Net position				
Net investment in capital assets	14,112,093	45,124,038	4,604,337	63,840,468
Restricted for:				
Capital projects	-	1,052,288	-	1,052,288
Unrestricted	2,317,891	9,227,480	1,710,235	13,255,606
Total net position	<u>16,429,984</u>	<u>55,403,806</u>	<u>6,314,572</u>	<u>78,148,362</u>
Total liabilities and net position	<u>\$ 17,787,406</u>	<u>\$ 57,222,818</u>	<u>\$ 7,343,073</u>	<u>\$ 82,353,297</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
Year Ended June 30, 2014**

	<u>Transit Fund</u>	<u>Airport Fund</u>	<u>Environmental Services Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues				
Charges for services	\$ 1,228,162	\$ 4,041,886	\$ 2,332,218	\$ 7,602,266
Other revenue from operations	16,973	154,558	189,668	361,199
Total operating revenues	<u>1,245,135</u>	<u>4,196,444</u>	<u>2,521,886</u>	<u>7,963,465</u>
Operating expenses				
Salaries and employee benefits	4,813,616	1,350,952	4,004,559	10,169,127
Other operating expenses	2,332,773	1,325,364	5,229,014	8,887,151
Depreciation	1,192,675	3,160,151	559,576	4,912,402
Total operating expenses	<u>8,339,064</u>	<u>5,836,467</u>	<u>9,793,149</u>	<u>23,968,680</u>
Operating income (loss)	<u>(7,093,929)</u>	<u>(1,640,023)</u>	<u>(7,271,263)</u>	<u>(16,005,215)</u>
Nonoperating revenue (expense)				
Interest earned on investments	9,811	60,865	14,196	84,872
Federal and State grants	2,539,161	108,430	133,637	2,781,228
Miscellaneous revenues	-	209,115	108,900	318,015
Gain (loss) on disposal of capital assets	62,447	366	88,435	151,248
County revenue	-	-	302,635	302,635
Vehicle fee revenue	839,060	-	-	839,060
Interest expense	(615)	-	-	(615)
Miscellaneous expense	-	(440,668)	-	(440,668)
Total nonoperating revenue (expense)	<u>3,449,864</u>	<u>(61,892)</u>	<u>647,803</u>	<u>4,035,775</u>
Income (loss) before transfers and contributions	<u>(3,644,065)</u>	<u>(1,701,915)</u>	<u>(6,623,460)</u>	<u>(11,969,440)</u>
Transfers in	2,629,710	-	6,806,861	9,436,571
Capital contributions	2,102,217	2,000,263	4,810,281	8,912,761
Change in net position	<u>1,087,862</u>	<u>298,348</u>	<u>4,993,682</u>	<u>6,379,892</u>
Total net position - beginning	<u>15,342,122</u>	<u>55,105,458</u>	<u>1,320,890</u>	<u>71,768,470</u>
Total net position - ending	<u>\$ 16,429,984</u>	<u>\$ 55,403,806</u>	<u>\$ 6,314,572</u>	<u>\$ 78,148,362</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2014

	Transit Fund	Airport Fund	Environmental Services Fund	Total Nonmajor Enterprise Funds
Operating activities				
Cash received from customers	\$ 1,734,441	\$ 4,089,996	\$ 2,783,165	\$ 8,607,602
Cash paid to or on behalf of employees for services	(4,686,437)	(1,335,466)	(3,656,247)	(9,678,150)
Cash paid for goods and services	(2,498,224)	(1,523,531)	(4,938,360)	(8,960,115)
Net cash provided by (used in) operating activities	<u>(5,450,220)</u>	<u>1,230,999</u>	<u>(5,811,442)</u>	<u>(10,030,663)</u>
Noncapital financing activities				
Transfers in	2,629,710	-	6,806,861	9,436,571
Federal and State grants	2,539,161	108,430	133,637	2,781,228
Transfers out	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>5,168,871</u>	<u>108,430</u>	<u>6,940,498</u>	<u>12,217,799</u>
Capital and related financing activities				
Proceeds from sale of assets	62,447	366	111,559	174,372
Contributed capital received	2,102,218	2,000,263	-	4,102,481
Acquisition and construction of capital assets	(2,476,416)	(2,735,813)	(350,521)	(5,562,750)
Principal paid in debt maturities	(20,396)	-	-	(20,396)
Interest paid on debt maturities	(615)	-	-	(615)
Net cash provided (used) by capital and related financing activities	<u>(332,762)</u>	<u>(735,184)</u>	<u>(238,962)</u>	<u>(1,306,908)</u>
Investing activities				
Interest and dividends	9,811	60,865	14,196	84,872
Net cash provided (used) by investing activities	<u>9,811</u>	<u>60,865</u>	<u>14,196</u>	<u>84,872</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(604,300)</u>	<u>665,110</u>	<u>904,290</u>	<u>965,100</u>
Cash and cash equivalents/investments				
Beginning of year	<u>2,975,311</u>	<u>9,448,252</u>	<u>1,514,370</u>	<u>13,937,933</u>
End of year	<u>\$ 2,371,011</u>	<u>\$ 10,113,362</u>	<u>\$ 2,418,660</u>	<u>\$ 14,903,033</u>
Cash and cash equivalents	\$ 2,371,011	\$ 10,113,362	\$ 2,418,660	\$ 14,903,033
Total cash and cash equivalents/investments	<u>\$ 2,371,011</u>	<u>\$ 10,113,362</u>	<u>\$ 2,418,660</u>	<u>\$ 14,903,033</u>
Unrestricted cash and cash equivalents/investments	\$ 2,371,011	\$ 9,060,544	\$ 2,418,660	\$ 13,850,215
Restricted cash and equivalents/investments	-	1,052,818	-	1,052,818
Total cash and cash equivalents/investments	<u>\$ 2,371,011</u>	<u>\$ 10,113,362</u>	<u>\$ 2,418,660</u>	<u>\$ 14,903,033</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended June 30, 2014

	Transit Fund	Airport Fund	Environmental Services Fund	Total Nonmajor Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (7,093,929)	\$ (1,640,023)	\$ (7,271,263)	\$ (16,005,215)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,192,675	3,160,151	559,576	4,912,402
Nonoperating payments for goods and services	-	(440,668)	-	(440,668)
Nonoperating receipts from customers	839,060	209,115	411,535	1,459,710
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(350,654)	(304,006)	(150,256)	(804,916)
(Increase) decrease in inventory	(9,010)	(819)	(28,319)	(38,148)
(Increase) decrease in prepaid items	-	-	-	-
(Increase) decrease in unearned deposits	-	-	-	-
(Increase) decrease in accounts payable and accrued liabilities	(156,441)	243,320	318,973	405,852
(Increase) decrease in accrued compensated absences	15,388	(17,023)	265,122	263,487
(Increase) decrease in unearned revenues	900	(11,557)	-	(10,657)
(Increase) decrease in Net OPEB Obligation	111,791	32,509	83,190	227,490
Total adjustments	<u>1,643,709</u>	<u>2,871,022</u>	<u>1,459,821</u>	<u>5,974,552</u>
Net cash provided by (used in) operating activities	<u>\$ (5,450,220)</u>	<u>\$ 1,230,999</u>	<u>\$ (5,811,442)</u>	<u>\$ (10,030,663)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Transit Fund

Year Ended June 30, 2014

(With Comparative Actual Amounts for Year Ended June 30, 2013)

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Operating revenues				
Charges for services	\$ 1,213,108	\$ 15,054	\$ 1,228,162	\$ 1,103,947
Other revenues from operations	21,020	(4,047)	16,973	14,202
Total operating revenues	<u>1,234,128</u>	<u>11,007</u>	<u>1,245,135</u>	<u>1,118,149</u>
Operating expenditures				
Salaries and employee benefits	4,754,055	67,618	4,686,437	4,301,623
Other operating expenditures	2,373,235	277,081	2,096,154	1,968,972
Capital outlay	168,289	2,712	165,577	-
Total operating expenditures	<u>7,295,579</u>	<u>347,411</u>	<u>6,948,168</u>	<u>6,270,595</u>
Operating loss	<u>(6,061,451)</u>	<u>358,418</u>	<u>(5,703,033)</u>	<u>(5,152,446)</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	-	9,811	9,811	(497)
Federal grants	1,608,095	70,405	1,678,500	1,506,984
State grants	671,584	44,890	716,474	671,584
Vehicle fee revenue	775,400	116,032	891,432	625,955
Interest expense	(622)	7	(615)	(1,031)
Debt service - principal payment	(20,396)	-	(20,396)	(19,980)
Total nonoperating revenues (expenditures)	<u>3,034,061</u>	<u>241,145</u>	<u>3,275,206</u>	<u>2,783,015</u>
Revenues under expenditures	<u>(3,027,390)</u>	<u>599,563</u>	<u>(2,427,827)</u>	<u>(2,369,431)</u>
Other financing sources (uses)				
Transfers in	2,966,390	(531,301)	2,435,089	2,360,553
Proceeds from sale of assets	61,000	1,447	62,447	8,878
Total other financing sources (uses)	<u>3,027,390</u>	<u>(529,854)</u>	<u>2,497,536</u>	<u>2,369,431</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 69,709</u>	<u>\$ 69,709</u>	<u>\$ -</u>
Reconciliation of change in net position:				
Total revenues			\$ 7,038,888	\$ 6,291,606
Total expenditures			(6,969,179)	(6,291,606)
Subtotal			<u>69,709</u>	<u>-</u>
Depreciation			(1,192,675)	(1,068,920)
Net OPEB expense			(111,791)	(89,763)
Change in inventory			1,212	12,586
Decrease (increase) in accrued vacation			(15,388)	6,834
Bad debt expense			(15,329)	(15,206)
Debt principal payments			20,396	19,980
Unearned revenue			(52,372)	34,238
Capital outlay			165,577	-
Proceeds from sale of assets			(62,447)	(8,878)
Gain (loss) on disposal of assets			62,447	8,878
Subtotal			<u>(1,200,370)</u>	<u>(1,100,251)</u>
Change in net position			<u>\$ (1,130,661)</u>	<u>\$ (1,100,251)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of
Transit Capital Project Fund**

From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 18,732,947	\$ 10,705,106	\$ 3,157,381	\$ 1,963,339	\$ 9,511,064
State grants	1,056,335	1,153,809	291,667	138,878	1,001,020
Miscellaneous	-	43,000	-	-	43,000
Total revenues	<u>19,789,282</u>	<u>11,901,915</u>	<u>3,449,048</u>	<u>2,102,217</u>	<u>10,555,084</u>
Expenditures					
FTA Capital 0327	-	939,999	939,999	-	-
FTA Capital 0406	-	268,455	268,455	-	-
FTA Capital 0425	-	386,999	386,999	-	-
FTA Capital 04.0027	-	1,880,793	1,880,793	-	-
Multi-Modal Center (no grant)	372,144	367,018	-	4,530	371,548
FTA Capital 0457	-	203,420	203,420	-	-
NCDOT Capital 09-AT-004	419,012	412,588	-	-	412,588
FTA Capital 0464	811,667	790,738	-	20,918	811,656
Improvements & Enhancements (no grant)	466,909	400,624	-	4,900	405,524
New Freedom Sidewalks FY11	-	199,927	199,927	-	-
Transit Multimodal Center Land	1,662,307	1,507,514	-	154,793	1,662,307
FTA Capital 90.469	3,348,926	2,300,643	-	885,051	3,185,694
New Freedom Sidewalks FY12	145,426	136,991	-	8,351	145,342
FTA Capital 90.514	2,792,240	900,706	-	1,041,878	1,942,584
FTA 04.0055 Multimodal Transit Center	10,018,750	-	-	17,778	17,778
FTA 04.0054 Veterans Website	38,900	-	-	4,000	4,000
FTA 57.x017 Sidewalk New Freedom	119,520	-	-	74,518	74,518
FTA Capital 90.548	429,584	-	-	-	-
ARRA Capital 06.002	3,129,010	2,972,563	-	156,414	3,128,977
Total expenditures	<u>23,754,395</u>	<u>13,668,978</u>	<u>3,879,593</u>	<u>2,373,131</u>	<u>12,162,516</u>
Revenues over (under) expenditures	<u>(3,965,113)</u>	<u>(1,767,063)</u>	<u>(430,545)</u>	<u>(270,914)</u>	<u>(1,607,432)</u>
Other financing sources (uses)					
Proceeds from the sale of assets	-	23,592	17,343	-	6,249
Transfers in	3,965,113	4,203,956	413,202	124,621	3,915,375
Total other financing sources (uses)	<u>3,965,113</u>	<u>4,227,548</u>	<u>430,545</u>	<u>124,621</u>	<u>3,921,624</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 2,460,485</u>	<u>\$ -</u>	<u>\$ (146,293)</u>	<u>\$ 2,314,192</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (146,293)	
Capital outlay				2,373,131	
Non-capitalizable items				(62,292)	
Change in net position				<u>\$ 2,164,546</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of
Transit II Capital Project Fund**

From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Intergovernmental					
Federal grants	\$ 1,342,266	\$ 933,773	\$ 379,240	\$ 128,164	\$ 682,697
State grants	130,838	116,718	47,405	16,023	85,336
Total intergovernmental	<u>1,473,104</u>	<u>1,050,491</u>	<u>426,645</u>	<u>144,187</u>	<u>768,033</u>
Total revenues	<u>1,473,104</u>	<u>1,050,491</u>	<u>426,645</u>	<u>144,187</u>	<u>768,033</u>
Expenditures					
Current					
Transportation	1,673,943	1,167,216	474,050	160,210	853,376
Total expenditures	<u>1,673,943</u>	<u>1,167,216</u>	<u>474,050</u>	<u>160,210</u>	<u>853,376</u>
Revenues over (under) expenditures	<u>(200,839)</u>	<u>(116,725)</u>	<u>(47,405)</u>	<u>(16,023)</u>	<u>(85,343)</u>
Other financing sources (uses)					
Transfers in	200,839	178,244	47,405	70,000	200,839
Total other financing sources (uses)	<u>200,839</u>	<u>178,244</u>	<u>47,405</u>	<u>70,000</u>	<u>200,839</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 61,519</u>	<u>\$ -</u>	<u>\$ 53,977</u>	<u>\$ 115,496</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				<u>\$ 53,977</u>	
Change in net position				<u>\$ 53,977</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Expenditures by Project
Transit II Capital Project Fund**

From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Expenditures by project:					
Transportation					
FTA 90.2406	\$ -	\$ 292,300	\$ 292,300	\$ -	\$ -
FTA 90.2425	-	181,750	181,750	-	-
FTA 90.2453	300,000	291,597	-	8,403	300,000
FTA 90.2464	273,236	246,151	-	27,085	273,236
FTA 90.2469	235,147	86,187	-	63,687	149,874
FTA 90.2514	500,000	69,231	-	61,035	130,266
FTA 26.0008	15,560	-	-	-	-
FTA 90.2548	350,000	-	-	-	-
Total transportation	<u>1,673,943</u>	<u>1,167,216</u>	<u>474,050</u>	<u>160,210</u>	<u>853,376</u>
 Total expenditures by project	 <u>\$ 1,673,943</u>	 <u>\$ 1,167,216</u>	 <u>\$ 474,050</u>	 <u>\$ 160,210</u>	 <u>\$ 853,376</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Airport Fund

Year Ended June 30, 2014

(With Comparative Actual Amounts for Year Ended June 30, 2013)

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Operating revenues				
Charges for services	\$ 4,258,515	\$ (216,629)	\$ 4,041,886	\$ 4,122,711
Other revenues from operations	174,326	(19,768)	154,558	171,331
Total operating revenues	<u>4,432,841</u>	<u>(236,397)</u>	<u>4,196,444</u>	<u>4,294,042</u>
Operating expenditures				
Salaries and employee benefits	1,525,158	189,692	1,335,466	1,272,606
Other operating expenditures	2,084,364	745,857	1,338,507	1,510,640
Capital outlay	439,551	1	439,550	219,280
Total operating expenditures	<u>4,049,073</u>	<u>935,550</u>	<u>3,113,523</u>	<u>3,002,526</u>
Operating income (loss)	<u>383,768</u>	<u>699,153</u>	<u>1,082,921</u>	<u>1,291,516</u>
Nonoperating revenues				
Interest earned on investments	27,402	7,477	34,879	(4,795)
Miscellaneous	209,116	(1)	209,115	188,312
Federal and State grants	113,150	(4,720)	108,430	112,888
Total nonoperating revenues	<u>349,668</u>	<u>2,756</u>	<u>352,424</u>	<u>296,405</u>
Nonoperating expenditures				
Public safety reimbursements	441,800	1,132	440,668	438,493
Total nonoperating expenditures	<u>441,800</u>	<u>1,132</u>	<u>440,668</u>	<u>438,493</u>
Revenues over (under) expenditures	<u>291,636</u>	<u>703,041</u>	<u>994,677</u>	<u>1,149,428</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	366	366	716
Transfers in	-	-	-	16,502
Transfers out	(291,636)	291,636	-	(448,781)
Total other financing sources (uses)	<u>(291,636)</u>	<u>292,002</u>	<u>366</u>	<u>(431,563)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 995,043</u>	<u>\$ 995,043</u>	<u>\$ 717,865</u>
Reconciliation of change in net position				
Total revenues			\$ 4,549,234	\$ 4,607,665
Total expenditures			3,554,191	3,889,800
Subtotal			<u>995,043</u>	<u>717,865</u>
Depreciation			(3,160,151)	(2,744,928)
Change in accrued vacation			17,022	(18,414)
Change in inventory			820	472
Capital outlay			439,550	219,280
Proceeds from sale of assets			(366)	(716)
Gain (loss) on disposal of assets			366	716
Bad debt expense			13,569	(2,764)
Net OPEB expense			(32,509)	(26,242)
Subtotal			<u>(2,721,699)</u>	<u>(2,572,596)</u>
Change in net position			<u>\$ (1,726,656)</u>	<u>\$ (1,854,731)</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Changes in the Status of
Airport Capital Project Fund**

From Inception and for Year Ended June 30, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Federal grants	\$ 21,364,785	\$ 18,213,971	\$ 3,142,919	\$ 2,000,263	\$ 17,071,315
State grants	953,166	922,135	-	-	922,135
Passenger facility charges	284,750	2,980,643	156,236	-	2,824,407
Investment income	-	335,985	48,611	25,986	313,360
Total revenues	<u>22,602,701</u>	<u>22,452,734</u>	<u>3,347,766</u>	<u>2,026,249</u>	<u>21,131,217</u>
Expenditures					
AIP-30 Loop, Building, Beacon	-	3,340,963	3,340,963	-	-
West GA Ramp Rehabilitation	746,378	720,983	-	-	720,983
AIP-35 ARFF Rehabilitation and AIP-36	1,693,090	1,509,298	-	-	1,509,298
Local Match/Future Projects	349,000	-	-	-	-
Tree Clearing Runways 10 & 4	282,619	273,535	-	-	273,535
Taxiway A, C, D, F Rehabilitation	7,173,777	6,410,588	-	-	6,410,588
AIP-38 Apron Rehab, Taxiway	5,243,379	4,664,355	-	141,685	4,806,040
AIP-39 Improve Runway Safety	4,525,239	3,357,644	-	643,434	4,001,078
AIP-41 Runway 4/22 Paved	4,229,475	-	-	1,429,523	1,429,523
Renovation of Airport Parking	1,542,969	1,448,395	-	82,866	1,531,261
Jetbridge 4 Replacement	489,500	470,334	-	-	470,334
Stormdrain Pipe Installation	115,000	2,600	-	-	2,600
GA Fence Replacement	175,000	-	-	-	-
North GA Parking	447,426	-	-	-	-
Runway 4 Safety Area FAA Reimbursement	71,779	71,779	-	-	71,779
Total expenditures	<u>27,084,631</u>	<u>22,270,474</u>	<u>3,340,963</u>	<u>2,297,508</u>	<u>21,227,019</u>
Revenues over (under) expenditures	<u>(4,481,930)</u>	<u>182,260</u>	<u>6,803</u>	<u>(271,259)</u>	<u>(95,802)</u>
Other financing sources (uses)					
Transfers in	4,548,885	4,437,628	-	-	4,437,628
Transfers out	(91,955)	(100,042)	(10,087)	-	(89,955)
Proceeds from sale of assets	25,000	28,284	3,284	-	25,000
Total other financing sources (uses)	<u>4,481,930</u>	<u>4,365,870</u>	<u>(6,803)</u>	<u>-</u>	<u>4,372,673</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 4,548,130</u>	<u>\$ -</u>	<u>\$ (271,259)</u>	<u>\$ 4,276,871</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ (271,259)	
Capital outlay				2,297,508	
Non-capitalizable items				<u>(1,245)</u>	
Change in net position				<u>\$ 2,025,004</u>	

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Environmental Services Fund

Year Ended June 30, 2014

(With Comparative Actual Amounts for Year Ended June 30, 2013)

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Operating revenues				
Charges for services	\$ 2,317,428	\$ 12,419	\$ 2,329,847	\$ 2,295,816
Other revenue from operations	173,640	16,028	189,668	9,069
Total operating revenues	<u>2,491,068</u>	<u>28,447</u>	<u>2,519,515</u>	<u>2,304,885</u>
Operating expenditures				
Personnel	3,708,866	52,620	3,656,246	27,876
Other operating expenditures	5,370,991	154,347	5,216,644	2,153,677
Capital outlay	1,130,000	958,094	171,906	-
Total operating expenditures	<u>10,209,857</u>	<u>1,165,061</u>	<u>9,044,796</u>	<u>2,181,553</u>
Operating income (loss)	<u>(7,718,789)</u>	<u>1,193,508</u>	<u>(6,525,281)</u>	<u>123,332</u>
Nonoperating revenues (expenditures)				
Federal and State grants	142,256	(8,619)	133,637	-
County revenue	303,125	(490)	302,635	301,250
Miscellaneous	130,152	(21,252)	108,900	117,461
Interest earned on investments	8,000	4,964	12,964	(1,593)
Nonoperating revenues (expenditures)	<u>583,533</u>	<u>(25,397)</u>	<u>558,136</u>	<u>417,118</u>
Revenues over (under) expenditures	<u>(7,135,256)</u>	<u>1,168,111</u>	<u>(5,967,145)</u>	<u>540,450</u>
Other financing sources (uses)				
Proceeds from sale of assets	-	111,559	111,559	-
Transfers in	7,136,402	(329,541)	6,806,861	-
Transfers out	(364,521)	4,521	(360,000)	(391,641)
Appropriated fund balance	363,375	(363,375)	-	-
Total other financing sources (uses)	<u>7,135,256</u>	<u>(576,836)</u>	<u>6,558,420</u>	<u>(391,641)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 591,275</u>	<u>\$ 591,275</u>	<u>\$ 148,809</u>
Reconciliation of change in net position				
Total revenues			\$ 9,996,071	\$ 2,722,003
Total expenditures			9,404,796	2,573,194
Subtotal			<u>591,275</u>	<u>148,809</u>
Depreciation			(559,576)	(7,496)
Decrease (increase) in accrued vacation			(265,123)	121
Net OPEB expense			(83,190)	(685)
Change in inventory			(12,370)	-
Proceeds from sale of assets			(111,559)	-
Gain (loss) on disposal of assets			88,435	-
Unearned revenue			2,371	(490)
Capital outlay			171,906	-
Transfer of assets (to)/from government-wide			4,810,281	-
Subtotal			<u>4,041,175</u>	<u>(8,550)</u>
Change in net position			<u>\$ 4,632,450</u>	<u>\$ 140,259</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Changes in the Status of
Environmental Services Capital Project Fund

From Inception And For Year Ended June 30, 2014

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ -	\$ -	\$ -	\$ 1,232	\$ 1,232
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,232</u>	<u>1,232</u>
Expenditures					
On Board/On Route Systems	360,000	-	-	178,615	178,615
Total expenditures	<u>360,000</u>	<u>-</u>	<u>-</u>	<u>178,615</u>	<u>178,615</u>
Revenues over (under) expenditures	<u>(360,000)</u>	<u>-</u>	<u>-</u>	<u>(177,383)</u>	<u>(177,383)</u>
Other financing sources (uses)					
Transfers in	360,000	-	-	360,000	360,000
Total other financing sources (uses)	<u>360,000</u>	<u>-</u>	<u>-</u>	<u>360,000</u>	<u>360,000</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,617</u>	<u>\$ 182,617</u>
Reconciliation of modified accrual basis to full accrual basis:					
Excess of revenues over expenditures				\$ 182,617	
Capital outlay				<u>178,615</u>	
Change in net position				<u>\$ 361,232</u>	

Internal Service Funds

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

The following comprise the City's Internal Service Funds:

- Insurance Fund
- PWC Fleet Maintenance Fund

All Internal Service Funds are accounted for using the accrual basis of accounting.

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Balance Sheet
Internal Service Funds
June 30, 2014**

Assets	Insurance Fund	PWC Fleet Maintenance Fund	Total
Current assets			
Cash and investments	\$ 19,019,508	\$ -	\$ 19,019,508
Accounts receivable	13,711	925,622	939,333
Interfund receivable	-	1,010,847	1,010,847
Prepaid expenses	324,907	-	324,907
Total current assets	19,358,126	1,936,469	21,294,595
Noncurrent assets			
Other current assets	-	75	75
Capital assets	-	2,097,310	2,097,310
Total noncurrent assets	-	2,097,385	2,097,385
Total assets	\$ 19,358,126	\$ 4,033,854	\$ 23,391,980
Liabilities and net position			
Current liabilities			
Accounts payable and accrued expenses	\$ 3,743,886	\$ 700,678	\$ 4,444,564
Current portion of long-term debt	6,475	153,763	160,238
Total current liabilities	3,750,361	854,441	4,604,802
Noncurrent liabilities			
Net OPEB obligation	80,451	-	80,451
Unearned revenues	7,443	-	7,443
Long-term debt	-	447,203	447,203
Total noncurrent liabilities	87,894	447,203	535,097
Total liabilities	3,838,255	1,301,644	5,139,899
Net position			
Net investment in capital assets	-	2,097,310	2,097,310
Unrestricted net position	15,519,871	634,900	16,154,771
Total net position	15,519,871	2,732,210	18,252,081
Total liabilities and net position	\$ 19,358,126	\$ 4,033,854	\$ 23,391,980

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2014**

	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating revenues			
Other revenue from operations	\$ 245,616	\$ 8,434,767	\$ 8,680,383
Interfund charges and employee contributions	16,597,475	-	16,597,475
Miscellaneous operating revenues	-	1,104	1,104
Total operating revenues	<u>16,843,091</u>	<u>8,435,871</u>	<u>25,278,962</u>
Operating expenses			
Salaries and employee benefits	334,233	-	334,233
Other operating expenses	15,499,555	8,253,426	23,752,981
Depreciation	-	183,765	183,765
Total operating expenses	<u>15,833,788</u>	<u>8,437,191</u>	<u>24,270,979</u>
Operating income (loss)	<u>1,009,303</u>	<u>(1,320)</u>	<u>1,007,983</u>
Nonoperating revenue (expense)			
Interest earned on investments	140,911	-	140,911
Miscellaneous revenue	2,701	-	2,701
Gain (loss) on disposal of capital assets	112	1,320	1,432
Total nonoperating revenue (expense)	<u>143,724</u>	<u>1,320</u>	<u>145,044</u>
Income (loss) before transfers and contributions	<u>1,153,027</u>	<u>-</u>	<u>1,153,027</u>
Transfers in	474,423	257,374	731,797
Transfers out	(3,730,637)	-	(3,730,637)
Change in net position	<u>(2,103,187)</u>	<u>257,374</u>	<u>(1,845,813)</u>
Total net position - beginning	17,623,058	2,474,836	20,097,894
Total net position - ending	<u>\$ 15,519,871</u>	<u>\$ 2,732,210</u>	<u>\$ 18,252,081</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2014

	Insurance Fund	PWC Fleet Maintenance Fund	Total
Operating activities			
Cash received from customers	\$ 16,612,775	\$ 8,347,593	\$ 24,960,368
Cash received from insurance reimbursements	245,616	-	245,616
Cash paid to or on behalf of employees for services	(323,318)	(2,481,214)	(2,804,532)
Cash paid for goods and services	(14,713,571)	(5,867,699)	(20,581,270)
Net cash provided by (used in) operating activities	<u>1,821,502</u>	<u>(1,320)</u>	<u>1,820,182</u>
Noncapital financing activities			
Transfers in	474,423	257,374	731,797
Transfers out	(3,730,637)	-	(3,730,637)
Net cash provided (used) by noncapital financing activities	<u>(3,256,214)</u>	<u>257,374</u>	<u>(2,998,840)</u>
Capital and related financing activities			
Proceeds from sale of assets	112	1,320	1,432
Acquisition and construction of capital assets	-	(257,374)	(257,374)
Net cash provided (used) by capital and related financing activities	<u>112</u>	<u>(256,054)</u>	<u>(255,942)</u>
Investing activities			
Interest and dividends	140,911	-	140,911
Net cash provided (used) by investing activities	<u>140,911</u>	<u>-</u>	<u>140,911</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(1,293,689)</u>	<u>-</u>	<u>(1,293,689)</u>
Cash and cash equivalents/investments			
Beginning of year	<u>20,313,197</u>	<u>-</u>	<u>20,313,197</u>
End of year	<u>\$ 19,019,508</u>	<u>\$ -</u>	<u>\$ 19,019,508</u>
Cash and cash equivalents	\$ 19,019,508	\$ -	\$ 19,019,508
Total cash and cash equivalents/investments	<u>\$ 19,019,508</u>	<u>\$ -</u>	<u>\$ 19,019,508</u>
Unrestricted cash and cash equivalents/investments	\$ 19,019,508	\$ -	\$ 19,019,508
Total cash and cash equivalents/investments	<u>\$ 19,019,508</u>	<u>\$ -</u>	<u>\$ 19,019,508</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 1,009,303	\$ (1,320)	\$ 1,007,983
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	-	183,765	183,765
Nonoperating receipts from customers	2,701	-	2,701
Gain (loss) on sale of capital assets	-	-	-
Change in assets and liabilities			
(Increase) decrease in accounts receivable	17,861	(88,278)	(70,417)
(Increase) decrease in prepaid items	(11,815)	-	(11,815)
(Increase) decrease in internal balances	-	(162,809)	(162,809)
(Increase) decrease in other assets	-	(75)	(75)
(Increase) decrease in inventory	-	-	-
(Increase) decrease in unearned deposits	-	-	-
(Increase) decrease in accounts payable and accrued liabilities	797,799	17,454	815,253
(Increase) decrease in accrued compensated absences	2,958	49,943	52,901
(Increase) decrease in unearned revenues	(5,262)	-	(5,262)
(Increase) decrease in Net OPEB Obligation	7,957	-	7,957
Net cash provided by (used in) operating activities	<u>\$ 1,821,502</u>	<u>\$ (1,320)</u>	<u>\$ 1,820,182</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Insurance Fund

Year Ended June 30, 2014

(With Comparative Actual Amounts for Year Ended June 30, 2013)

	Budget	Variance Positive (Negative)	2014 Actual	2013 Actual
Operating revenues				
Other revenues from operations	\$ 149,000	\$ 96,616	\$ 245,616	\$ 449,936
Interfund charges and employee contributions	16,635,039	(37,564)	16,597,475	15,410,985
Total operating revenues	<u>16,784,039</u>	<u>59,052</u>	<u>16,843,091</u>	<u>15,860,921</u>
Operating expenditures				
Salaries and employee benefits	397,666	74,348	323,318	292,356
Other operating expenditures	17,315,774	2,391,663	14,924,111	14,426,368
Total operating expenditures	<u>17,713,440</u>	<u>2,466,011</u>	<u>15,247,429</u>	<u>14,718,724</u>
Operating income (loss)	<u>(929,401)</u>	<u>2,525,063</u>	<u>1,595,662</u>	<u>1,142,197</u>
Nonoperating revenues (expenditures)				
Interest earned on investments	97,000	43,911	140,911	(20,262)
Miscellaneous	-	2,701	2,701	8,628
Total nonoperating revenues (expenditures)	<u>97,000</u>	<u>46,612</u>	<u>143,612</u>	<u>(11,634)</u>
Revenues over (under) expenditures	<u>(832,401)</u>	<u>2,571,675</u>	<u>1,739,274</u>	<u>1,130,563</u>
Other financing sources (uses)				
Sale of capital assets	-	112	112	-
Transfers out	(3,730,637)	-	(3,730,637)	-
Transfers in	474,423	-	474,423	487,303
Appropriated fund balance	4,088,615	(4,088,615)	-	-
Total other financing sources (uses)	<u>832,401</u>	<u>(4,088,503)</u>	<u>(3,256,102)</u>	<u>487,303</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ (1,516,828)</u>	<u>\$ (1,516,828)</u>	<u>\$ 1,617,866</u>
Reconciliation to change in net position:				
Total revenues			\$ 17,461,238	\$ 16,336,590
Total expenditures			18,978,066	14,718,724
Subtotal			<u>(1,516,828)</u>	<u>1,617,866</u>
Depreciation			-	-
Decrease (increase) in accrued vacation			(2,958)	2,925
Change in net OPEB expense			(7,957)	(6,347)
Decrease (increase) in insurance liability			(575,444)	(126,828)
Subtotal			<u>(586,359)</u>	<u>(130,250)</u>
Change in net position			<u>\$ (2,103,187)</u>	<u>\$ 1,487,616</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Schedule of Revenues and Expenditures - Budget and Actual (Non GAAP) -
PWC Fleet Maintenance Fund**

**Year ended June 30, 2014
(with comparative actual amounts for the period ended June 30, 2013)**

	2014		2014	2013
	Budget	Variance Positive (Negative)	Actual	Actual
Revenues				
Operating revenues				
City services	\$ 5,545,900	\$ 778,808	\$ 6,324,708	\$ 5,707,906
PWC services	2,555,500	(513,388)	2,042,112	2,207,948
Other revenue	-	1,104	1,104	10,438
Total operating revenues	8,101,400	266,524	8,367,924	7,926,292
Non-operating revenues				
Gain (loss) on asset disposal	-	1,320	1,320	1,412
Total non-operating revenues	-	1,320	1,320	1,412
Transfers in				
Transfers from Electric Fund	128,500	187	128,687	-
Transfers from Water and Wastewater Fund	128,500	187	128,687	-
Total transfers-in	257,000	374	257,374	-
 Total revenues	 \$ 8,358,400	 \$ 268,218	 \$ 8,626,618	 \$ 7,927,704
Expenditures				
Operating expenditures				
Fleet maintenance	\$ 8,101,400	\$ 61,261	\$ 8,162,661	\$ 7,753,616
Total operating expenditures	8,101,400	61,261	8,162,661	7,753,616
Budgetary appropriations				
Capital outlay	257,000	(97,460)	159,540	-
Total budgetary appropriations	257,000	(97,460)	159,540	-
Total expenditures	\$ 8,358,400	\$ (36,199)	\$ 8,322,201	\$ 7,753,616
Reconciliation of changes in net position				
Total revenues		\$ 268,218	\$ 8,626,618	\$ 7,927,704
Total expenditures		(36,199)	8,322,201	7,753,616
Subtotal		\$ 304,417	304,417	174,088
Reconciling items:				
Budgetary appropriations			159,540	42,458
Depreciation			(183,765)	(144,101)
OPEB expense			(22,818)	(72,445)
Total reconciling items			(47,043)	(174,088)
 Change in net position			 \$ 257,374	 \$ -

Fiduciary Funds

- Pension Trust Funds
- Private-Purpose Trust Funds

The focus of Fiduciary Fund measurement differs among the various types of funds that may be encompassed by this classification.

Trust Funds

Trust Funds are used to account for assets held by the City in a trustee capacity.

The following comprise the City's Trust Funds:

- Pension Trust Funds
 - Special Separation Allowance Trust Fund
- Private-Purpose Trust Funds
 - Police Benefit Trust Fund
 - Firemen's Relief Trust Fund

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Fiduciary Net Position
Pension Trust Fund
June 30, 2014

	Special Separation Allowance Pension Trust Fund
Assets	
Cash and investments	
Cash and cash equivalents	\$ 2,972,380
Total cash and investments	<u>2,972,380</u>
Accounts receivable	1,313
Total assets	<u>2,973,693</u>
Liabilities	
Accounts payable	37,187
Total liabilities	<u>37,187</u>
Net position	
Held in Trust for:	
Pension benefits	2,936,506
Total net position	<u>\$ 2,936,506</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position
Pension Trust Fund
Year Ended June 30, 2014

	Special Separation Allowance Pension Trust Fund
Additions	
Employer contributions	\$ 811,526
Investment earnings	18,977
Total additions	<u>830,503</u>
Deductions	
Benefit payments and premiums	<u>578,501</u>
Total deductions	<u>578,501</u>
Change in net position	252,002
Total net position - beginning	<u>2,684,504</u>
Total net position - ending	<u><u>\$ 2,936,506</u></u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Combining Statement of Fiduciary Net Position
 Private-purpose Trust Funds
 June 30, 2014

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 430	\$ 1,370,950	\$ 1,371,380
Accounts receivable	-	2,409	2,409
Total assets	<u>430</u>	<u>1,373,359</u>	<u>1,373,789</u>
Net position			
Held in Trust for benefits and other purposes	430	1,373,359	1,373,789
Total net position	<u>\$ 430</u>	<u>\$ 1,373,359</u>	<u>\$ 1,373,789</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Net Position
Private-purpose Trust Funds
Year Ended June 30, 2014**

	Police Benefit Trust Fund	Firemen's Benefit Trust Fund	Total
Additions			
Contributions	\$ 444	\$ 124,680	\$ 125,124
Investment earnings	2	6,545	6,547
Total additions	<u>446</u>	<u>131,225</u>	<u>131,671</u>
Deductions			
Benefit payments and premiums	350	134,621	134,971
Total deductions	<u>350</u>	<u>134,621</u>	<u>134,971</u>
Change in net position	96	(3,396)	(3,300)
Total net position - beginning	<u>334</u>	<u>1,376,755</u>	<u>1,377,089</u>
Total net position - ending	<u><u>\$ 430</u></u>	<u><u>\$ 1,373,359</u></u>	<u><u>\$ 1,373,789</u></u>

Other Supplemental Financial Data

The current tax levy and taxes receivable supplemental data is presented to provide a more detailed view. These schedules are not funds and do not measure results of operations.

The Emergency Telephone System Unspent Balance PSAP reconciliation is presented to provide the State 911 board expenditure tracking.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Current Tax Levy

Year Ended June 30, 2014

	<u>Total Property Valuation</u>	<u>Rate Per \$100</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original Levy:					
General Fund	\$ 14,078,559,346	\$ 0.456	\$ 64,198,231	\$ 56,649,828	\$ 7,548,403
Late Listing Penalties:					
General Fund			48,968	48,968	-
Subtotal			<u>64,247,199</u>	<u>56,698,796</u>	<u>7,548,403</u>
Discoveries:					
General Fund	125,781,140	0.456	573,562	563,412	10,150
Late Listing Penalties:					
General Fund			147,178	147,178	-
Subtotal			<u>720,740</u>	<u>710,590</u>	<u>10,150</u>
Releases					
General Fund	(92,406,140)	0.456	(421,372)	(113,946)	(307,426)
Late Listing Penalties:					
General Fund			(69,499)	(69,499)	-
Subtotal			<u>(490,871)</u>	<u>(183,445)</u>	<u>(307,426)</u>
Adjusted Tax Levy			<u>64,477,068</u>	<u>57,225,941</u>	<u>7,251,127</u>
Uncollected Current Year Taxes at 6/30/2014			<u>(850,077)</u>	<u>(411,497)</u>	<u>(438,580)</u>
City-wide Current Year's Taxes Collected			<u>\$ 63,626,991</u>	<u>\$ 56,814,444</u>	<u>\$ 6,812,547</u>
City-wide Current Levy Collection Percentage			<u>98.68%</u>	<u>99.28%</u>	<u>93.95%</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Taxes Receivable

June 30, 2014

<u>Fiscal Year Ended</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions & Releases</u>	<u>Collections</u>	<u>Uncollected Balance June 30, 2014</u>
2014	\$ -	\$ 64,978,644	\$ 63,626,991	\$ 1,351,653
2013	1,525,890	(117,124)	992,861	415,905
2012	354,617	(11,092)	78,579	264,946
All Prior	1,790,042	(165,122)	60,859	1,564,061
	<u>3,670,549</u>	<u>\$ 64,685,306</u>	<u>\$ 64,759,290</u>	<u>3,596,565</u>
Less: Allowance for Uncollectible Taxes				
General Fund	(762,649)			(782,030)
	<u>\$ 2,907,900</u>			<u>\$ 2,814,535</u>
General Fund Taxes Receivable per the fund financial statements				\$ 3,117,383
Less: CBTD Taxes Receivable				(3,641)
Less: Vehicle License Fee Receivable				(299,207)
General Fund Ad Valorem Taxes Receivable				<u>\$ 2,814,535</u>

**Reconciliations of collections and credit
with revenues**

Ad Valorem Taxes per the fund financial statements	\$ 65,328,949
Less Penalties & Interest	(355,989)
Less Taxes - CBTD	(134,658)
Less Taxes - Lake Valley Dr MSD	(79,012)
General Fund Ad Valorem Taxes	<u>\$ 64,759,290</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA

**Emergency Telephone System Unspent Fund
PSAP Reconciliation**

June 30, 2014

Amounts reported on the Emergency Telephone System Fund budget to actual (J-3) are different from the PSAP Revenue Expenditure Report because of the capital lease proceeds.

Net Change in Fund Balance, reported on Budget to Actual	\$	442,159
Capital Lease Proceeds		(486,869)
Change of Fair Market Value on Investment		(1,545)
Beginning Balance, PSAP Revenue-Expenditure Report		<u>381,480</u>
Ending Balance, PSAP Revenue-Expenditure Report	\$	<u><u>335,225</u></u>



2014

Statistical Section

City of Fayetteville, North Carolina
STATISTICAL SECTION
(Unaudited)

This part of the City of Fayetteville's Comprehensive Annual Financial Report presents detailed information as a context for understanding how the information in the financial statements, note disclosures, and required supplementary information depicts the government's overall financial health.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance has changed over time.

Revenue Capacity

These schedules contain trend information to help the reader assess the City's most significant local revenue sources.

Debt Capacity

These schedules contain trend information to help the reader assess the affordability of the City's

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

City of Fayetteville, North Carolina
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Schedule 1

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Investment in capital assets	\$ 263,057,769	\$ 351,170,168	\$ 353,407,779	\$ 354,482,766	\$ 351,059,848	\$ 349,628,675	\$ 358,665,197	\$ 346,265,466	\$ 348,741,323	\$ 338,558,257
Restricted for:										
Capital projects	-	-	-	1,047,622	-	-	-	-	-	-
Other purposes	2,446,529	2,702,713	3,525,148	-	-	-	35,832,753	26,200,123	27,136,010	29,025,780
Grant compliance	-	-	-	1,883,445	1,885,171	3,225,781	-	-	-	162,574
Unrestricted	63,005,016	69,369,779	73,912,222	70,335,914	72,912,216	69,873,837	37,909,246	43,633,514	40,944,759	39,561,009
Total governmental activities net position	<u>\$ 328,509,314</u>	<u>\$ 423,242,660</u>	<u>\$ 430,845,149</u>	<u>\$ 427,749,747</u>	<u>\$ 425,857,235</u>	<u>\$ 422,728,293</u>	<u>\$ 432,407,196</u>	<u>\$ 416,099,103</u>	<u>\$ 416,822,092</u>	<u>\$ 407,307,620</u>
Business-type activities										
Investment in capital assets	\$ 426,048,564	\$ 432,390,389	\$ 459,237,550	\$ 505,941,437	\$ 524,262,726	\$ 572,740,121	\$ 612,211,243	\$ 635,244,018	\$ 669,166,547	\$ 709,443,909
Restricted for:										
Capital projects	512,536	527,965	420,040	2,075,219	943,364	806,982	1,761,371	1,958,397	1,824,246	1,081,334
Debt service	817,633	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014
Other purposes	-	-	-	-	-	-	-	-	-	1,020
Grant compliance	-	-	-	-	-	-	-	-	-	-
Unrestricted	73,155,311	97,657,374	121,366,653	122,199,894	148,697,773	162,197,819	186,407,794	259,366,012	248,376,752	231,097,540
Total business-type activities net position	<u>\$ 500,534,044</u>	<u>\$ 531,384,248</u>	<u>\$ 581,840,313</u>	<u>\$ 630,228,012</u>	<u>\$ 673,906,606</u>	<u>\$ 735,786,180</u>	<u>\$ 800,421,798</u>	<u>\$ 896,609,379</u>	<u>\$ 919,428,268</u>	<u>\$ 941,731,817</u>
Primary Government										
Investment in capital assets	\$ 689,106,333	\$ 783,560,557	\$ 812,645,329	\$ 860,424,203	\$ 875,322,574	\$ 922,368,796	\$ 970,876,440	\$ 981,509,484	\$ 1,017,907,870	\$ 1,048,002,166
Restricted for:										
Capital projects	512,536	527,965	420,040	3,122,841	943,364	806,982	1,761,371	1,958,397	1,824,246	1,081,334
Debt service	817,633	808,520	816,070	11,462	2,743	41,258	41,390	40,952	60,723	108,014
Other purposes	2,446,529	2,702,713	3,525,148	-	-	-	35,832,753	26,200,123	27,136,010	29,026,800
Grant compliance	-	-	-	1,883,445	1,885,171	3,225,781	-	-	-	162,574
Unrestricted	136,160,327	167,027,153	195,278,875	192,535,808	221,609,989	232,071,656	224,317,040	302,999,526	289,321,511	270,658,549
Total primary government net position	<u>\$ 829,043,358</u>	<u>\$ 954,626,908</u>	<u>\$ 1,012,685,462</u>	<u>\$ 1,057,977,759</u>	<u>\$ 1,099,763,841</u>	<u>\$ 1,158,514,473</u>	<u>\$ 1,232,828,994</u>	<u>\$ 1,312,708,482</u>	<u>\$ 1,336,250,360</u>	<u>\$ 1,349,039,437</u>

Note: Due to the City implementing GASB statements 63 and 65 in fiscal year 2013; terminology changes have been updated for compliance.

City of Fayetteville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Schedule 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities										
Administration	\$ 11,641,665	\$ 13,268,585	\$ 19,032,872	\$ 19,090,722	\$ 17,815,439	\$ 19,932,088	\$ 20,762,610	\$ 21,677,385	\$ 22,721,662	\$ 25,568,650
Public safety	47,285,832	52,752,676	56,609,521	63,458,091	64,355,111	72,106,589	70,903,587	72,118,645	72,692,847	77,282,295
Environmental protection	7,514,882	9,940,477	11,000,841	12,126,391	12,048,837	11,098,182	14,636,753	8,369,933	8,100,683	477,470
Transportation	14,018,733	17,115,971	18,702,014	20,386,537	18,965,600	20,291,431	19,233,330	19,948,019	20,294,164	20,447,440
Economic and physical development	5,827,998	5,132,048	1,229,375	4,558,635	4,532,166	5,371,176	9,323,817	5,568,559	6,300,683	4,714,803
Recreation and community facilities	9,305,228	10,501,677	14,020,434	12,113,646	12,880,611	13,117,175	12,992,237	13,490,480	13,502,165	13,974,381
Debt Service:										
Interest and fees	2,541,380	2,786,700	2,621,502	2,061,409	1,981,641	1,693,633	1,585,197	1,464,554	1,157,838	960,294
Total governmental activities	98,135,718	111,498,134	123,216,559	133,795,431	132,579,405	143,610,274	149,437,531	142,637,575	144,770,042	143,425,333
Business type activities										
Electric	131,305,788	137,856,324	130,839,305	137,561,749	144,714,714	142,995,626	149,700,921	146,116,831	197,553,706	212,158,021
Water and wastewater	45,275,518	45,859,650	49,623,073	52,767,113	65,163,237	69,063,071	60,743,759	65,169,196	68,876,623	70,015,544
Storm water management ¹	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,891,487	3,225,830	4,588,821
Transit	4,910,142	4,864,135	4,864,526	5,584,011	5,975,160	6,230,449	6,847,471	7,664,911	7,721,977	8,339,679
Airport	3,806,671	3,769,259	4,091,032	3,986,357	4,329,383	4,589,767	4,680,624	5,259,583	6,085,394	6,277,135
Solid waste recycling	-	-	-	1,945,629	1,919,318	1,944,210	1,926,760	2,145,150	2,189,613	9,793,149
Total business-type activities	185,298,119	192,349,368	189,417,936	201,844,859	222,101,812	224,823,123	223,899,535	229,247,158	285,653,143	311,172,349
Total primary government	\$ 283,433,837	\$ 303,847,502	\$ 312,634,495	\$ 335,640,290	\$ 354,681,217	\$ 368,433,397	\$ 373,337,066	\$ 371,884,733	\$ 430,423,185	\$ 454,597,682
Program Revenues										
Governmental Activities										
<i>Administration</i>										
Charges for services	\$ 728,451	\$ 702,004	\$ 800,275	\$ 755,883	\$ 868,572	\$ 830,793	\$ 996,905	\$ 1,024,970	\$ 994,985	\$ 1,542,466
Operating grants and contributions	7,501	5,632	32,298	63,268	7,264	30,000	31,141	3,585	16,374	32,545
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
<i>Public Safety</i>										
Charges for services	2,661,753	4,446,932	3,708,443	3,213,741	3,512,402	3,648,358	3,906,523	4,473,761	4,837,983	4,095,850
Operating grants and contributions	2,489,423	480,476	673,108	309,869	1,111,218	2,764,654	3,889,426	3,078,134	2,422,030	1,707,551
Capital grants and contributions	514,389	367,540	95,867	45,154	33,802	5,408	560,157	27,563	62,112	79,929
<i>Environmental Protection</i>										
Charges for services	23,956	80,998	40,785	3,416,607	3,494,076	5,321,692	5,313,078	192,595	202,215	59,335
Operating grants and contributions	-	-	2,259,339	2,303,890	2,330,984	75,000	2,750,040	272,362	24,198	-
Capital grants and contributions	-	-	-	-	-	520,597	281,056	593,228	758,309	-
<i>Transportation</i>										
Charges for services	1,466,881	537,081	1,224,243	882,698	1,048,358	924,384	1,442,076	1,266,686	1,130,521	1,276,526
Operating grants and contributions	4,254,601	3,833,510	5,710,433	5,954,823	5,545,029	5,509,654	5,217,073	5,311,546	5,426,591	5,581,480
Capital grants and contributions	-	98,785	13,446	155,409	85,372	96,757	204,583	3,511,719	3,487,233	1,905,111

City of Fayetteville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Schedule 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Economic and physical development</i>										
Charges for services	\$ 715,099	\$ 57,172	\$ -	\$ -	\$ -	\$ 70,995	\$ 320,748	\$ 562,138	\$ 512,467	\$ 422,997
Operating grants and contributions	2,743,690	1,742,466	1,778,840	2,364,282	1,826,540	2,396,648	3,067,922	3,061,017	2,990,716	1,911,277
Capital grants and contributions	2,060,539	2,423,512	1,163,385	338,684	30,913	383,277	503,614	847,788	103	-
<i>Recreation and community facilities</i>										
Charges for services	756,482	4,151,275	3,751,071	3,873,021	4,012,612	4,428,944	4,557,373	4,714,656	4,874,495	5,051,290
Operating grants and contributions	3,572,557	60,386	45,213	56,292	35,844	105,460	123,063	140,384	188,446	149,587
Capital grants and contributions	992,963	2,161,508	2,622,609	781,410	1,312,932	2,642,557	10,696,075	2,004,325	695,162	882,480
<i>Interest and fees</i>										
Operating grants and contributions	-	-	-	-	-	-	318,310	185,825	111,724	104,110
Total governmental activities programs	<u>22,988,285</u>	<u>21,149,277</u>	<u>23,919,355</u>	<u>24,515,031</u>	<u>25,255,918</u>	<u>29,755,178</u>	<u>44,179,163</u>	<u>31,272,282</u>	<u>28,735,664</u>	<u>24,802,534</u>
Business-type activities:										
Electric										
Charges for services	146,069,329	155,773,020	159,647,302	166,899,655	169,451,426	173,192,801	194,811,519	197,656,327	211,789,791	217,853,786
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	951,384	178,965	977,641	405,586	1,044,143	1,407,440	1,535,614	371,766	889,399	1,297,052
Water and wastewater										
Charges for services	47,044,634	51,508,272	54,520,183	57,080,057	64,945,746	75,419,483	68,749,604	70,930,218	71,403,280	74,492,496
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	13,900,547	14,125,818	16,730,748	14,452,981	11,598,860	22,835,906	10,618,542	10,780,807	2,914,570	8,143,723
Storm water management ¹										
Charges for services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,183,444	5,247,665	5,283,676
Operating grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-
Capital grants and contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-	-
Transit										
Charges for services	836,084	828,623	801,186	774,345	801,967	839,490	891,454	1,025,180	1,118,149	1,245,135
Operating grants and contributions	1,900,622	2,097,336	1,922,181	2,149,594	2,681,466	2,337,806	2,353,263	2,050,348	2,355,194	2,539,161
Capital grants and contributions	417,242	63,915	157,361	2,101,418	681,884	1,733,733	3,933,065	3,592,128	1,802,682	2,102,218
Airport										
Charges for services	2,406,129	2,849,936	3,035,265	3,224,170	3,942,522	3,735,652	4,157,463	4,346,702	4,294,042	4,196,444
Operating grants and contributions	-	-	114,380	146,092	-	1,040,076	144,153	138,131	112,888	108,430
Capital grants and contributions	2,418,216	1,145,829	3,565,784	822,403	6,293,746	3,752,977	3,827,485	7,275,532	6,578,773	2,000,263
Environmental Services										
Charges for services	-	-	-	-	2,521,038	2,258,683	2,274,461	2,285,018	2,304,395	2,824,521
Operating grants and contributions	-	-	-	-	263,070	296,121	298,005	299,525	301,250	133,637
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program	<u>215,944,187</u>	<u>228,571,714</u>	<u>241,472,031</u>	<u>248,056,301</u>	<u>264,225,868</u>	<u>288,850,168</u>	<u>293,594,628</u>	<u>305,935,126</u>	<u>311,112,078</u>	<u>322,220,542</u>
Total primary government program	<u>\$ 238,932,472</u>	<u>\$ 249,720,991</u>	<u>\$ 265,391,386</u>	<u>\$ 272,571,332</u>	<u>\$ 289,481,786</u>	<u>\$ 318,605,346</u>	<u>\$ 337,773,791</u>	<u>\$ 337,207,408</u>	<u>\$ 339,847,742</u>	<u>\$ 347,023,076</u>
Net (expense)/revenue										
Governmental activities	\$ (75,147,433)	\$ (90,348,857)	\$ (99,297,204)	\$ (109,280,400)	\$ (107,323,487)	\$ (113,855,096)	\$ (105,258,368)	\$ (111,365,293)	\$ (116,034,378)	\$ (118,622,799)
Business-type activities	30,646,068	36,222,346	52,054,095	46,211,442	42,124,056	64,027,045	69,695,093	76,687,968	25,458,935	11,048,193
Total primary government net expense	<u>\$ (44,501,365)</u>	<u>\$ (54,126,511)</u>	<u>\$ (47,243,109)</u>	<u>\$ (63,068,958)</u>	<u>\$ (65,199,431)</u>	<u>\$ (49,828,051)</u>	<u>\$ (35,563,275)</u>	<u>\$ (34,677,325)</u>	<u>\$ (90,575,443)</u>	<u>\$ (107,574,606)</u>

City of Fayetteville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Schedule 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities										
Ad valorem taxes	\$ 39,344,522	\$ 47,823,150	\$ 52,929,323	\$ 54,295,319	\$ 55,406,617	\$ 58,518,101	\$ 59,016,746	\$ 60,130,081	\$ 62,067,430	\$ 64,702,217
Other taxes	34,023,971	35,863,026	41,307,138	43,193,017	42,524,787	44,482,890	45,850,043	47,167,974	48,752,661	48,709,791
Unrestricted grants and contributions	571,232	578,491	788,290	801,099	814,901	295,870	-	902,467	839,798	914,579
Interest earned on investments	1,752,579	2,327,165	4,050,088	3,704,974	2,212,641	1,157,788	769,192	565,944	8,522	818,792
Miscellaneous	908,208	169,866	474,945	627,860	865,351	652,055	1,379,722	1,174,240	513,652	541,010
Gain on sale of capital assets	-	162,992	199,853	254,875	240,465	210,072	343,836	385,076	1,063,285	142,765
Transfers	8,418,200	8,601,682	7,150,056	3,307,854	3,366,213	5,409,378	7,577,732	6,082,634	3,917,802	(6,720,827)
Special Item	-	89,555,831	-	-	-	-	-	-	-	-
Total governmental activities	<u>85,018,712</u>	<u>185,082,203</u>	<u>106,899,693</u>	<u>106,184,998</u>	<u>105,430,975</u>	<u>110,726,154</u>	<u>114,937,271</u>	<u>116,408,416</u>	<u>117,163,150</u>	<u>109,108,327</u>
Business-type activities:										
Other taxes	-	-	-	-	-	-	-	649,471	660,193	839,060
Interest earned on investments	2,018,035	3,137,307	5,173,628	5,392,197	4,810,234	3,133,521	2,196,769	3,089,310	1,445,865	3,070,459
Miscellaneous	280,640	84,297	366,079	90,271	88,058	87,444	247,622	252,092	323,661	466,103
Transfers	(8,418,200)	7,936	12,319	(3,307,854)	(3,366,213)	(5,409,378)	(7,577,732)	(6,082,634)	(3,917,802)	6,720,827
Gain on sale of capital assets	-	-	-	1,643	22,459	40,942	73,866	240,158	1,975,417	158,907
Extraordinary item	-	(8,601,682)	(7,150,056)	-	-	-	-	-	-	-
Total business-type activities	<u>(6,119,525)</u>	<u>(5,372,142)</u>	<u>(1,598,030)</u>	<u>2,176,257</u>	<u>1,554,538</u>	<u>(2,147,471)</u>	<u>(5,059,475)</u>	<u>(1,851,603)</u>	<u>487,334</u>	<u>11,255,356</u>
Total primary government	<u>\$ 78,899,187</u>	<u>\$ 179,710,061</u>	<u>\$ 105,301,663</u>	<u>\$ 108,361,255</u>	<u>\$ 106,985,513</u>	<u>\$ 108,578,683</u>	<u>\$ 109,877,796</u>	<u>\$ 114,556,813</u>	<u>\$ 117,650,484</u>	<u>\$ 120,363,683</u>
Change in Net Position										
Governmental activities	\$ 9,871,279	\$ 94,733,346	\$ 7,602,489	\$ (3,095,402)	\$ (1,892,512)	\$ (3,128,942)	\$ 9,678,903	\$ 5,043,123	\$ 1,128,772	\$ (9,514,472)
Business-type activities	24,526,543	30,850,204	50,456,065	48,387,699	43,678,594	61,879,574	64,635,618	74,836,365	25,946,269	22,303,549
Total primary government	<u>\$ 34,397,822</u>	<u>\$ 125,583,550</u>	<u>\$ 58,058,554</u>	<u>\$ 45,292,297</u>	<u>\$ 41,786,082</u>	<u>\$ 58,750,632</u>	<u>\$ 74,314,521</u>	<u>\$ 79,879,488</u>	<u>\$ 27,075,041</u>	<u>\$ 12,789,077</u>

¹The Storm water management fund became an Enterprise Fund effective with fiscal year 2012.

City of Fayetteville, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Schedule 3

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 12,567,572	\$ 14,222,851	\$ 19,688,249	\$ 17,226,906	\$ 17,984,934	\$ 17,972,528	\$ -	\$ -	\$ -	\$ -
Unreserved	31,396,476	29,273,909	29,962,047	35,781,835	27,934,081	28,616,050	-	-	-	-
Nonspendable	-	-	-	-	-	-	160,391	170,322	137,604	124,837
Restricted	-	-	-	-	-	-	18,160,858	18,018,110	19,370,822	20,994,163
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	13,578,711	13,545,829	14,004,183	11,560,730
Unassigned	-	-	-	-	-	-	16,807,431	20,161,587	17,551,749	19,368,407
Total General Fund	\$ 43,964,048	\$ 43,496,760	\$ 49,650,296	\$ 53,008,741	\$ 45,919,015	\$ 46,588,578	\$ 48,707,391	\$ 51,895,848	\$ 51,064,358	\$ 52,048,137
Recreational and Cultural Fund¹										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 1,328,058	\$ 633,469	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Capital Projects	-	-	-	-	87,800	702,865	-	-	-	-
Total Recreational and Cultural Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,415,858	\$ 1,336,334	\$ -	\$ -	\$ -	\$ -
All other governmental funds										
Reserved	\$ 10,827,524	\$ 8,445,918	\$ 5,285,867	\$ 4,150,365	\$ 10,100,793	\$ 17,707,054	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in nonmajor:										
Special Revenue	2,332,563	2,402,644	3,569,224	3,384,703	2,893,694	3,526,252	-	-	-	-
Capital Projects	12,668,139	8,842,547	8,024,751	5,148,775	4,691,155	2,510,568	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	3,937,714
Restricted	-	-	-	-	-	-	17,671,895	8,182,013	7,765,188	8,697,672
Committed	-	-	-	-	-	-	9,788,921	5,524,169	6,012,520	7,506,621
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(1,411,539)	(1,055,147)	(595,034)	(876,336)
Total all other governmental funds	\$ 25,828,226	\$ 19,691,109	\$ 16,879,842	\$ 12,683,843	\$ 17,685,642	\$ 23,743,874	\$ 26,049,277	\$ 12,651,035	\$ 13,182,674	\$ 19,265,671

Note: The City implemented GASB Statement 54 in Fiscal Year 2011; therefore, the new fund balance categories will be reported prospectively.

¹ The Recreational and Cultural Fund was reported as a non-major fund in all fiscal years except 2009 and 2010.

City of Fayetteville, North Carolina
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Schedule 4

	<u>2003</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>12033</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues											
Ad valorem taxes	\$ 33,720,313	\$ 39,622,100	\$ 41,590,985	\$ 58,574,670	\$ 54,765,677	\$ 55,553,012	\$ 58,699,957	\$ 58,987,439	\$ 60,089,099	\$ 61,873,098	\$ 65,328,949
Other taxes ¹	27,850,682	34,038,280	35,870,262	43,544,220	48,774,154	9,317,809	8,637,309	9,089,228	4,804,643	4,523,204	3,403,333
Intergovernmental	8,516,675	14,751,881	12,418,414	13,824,511	13,009,887	-	-	-	-	-	-
Unrestricted intergovernmental ¹	-	-	-	-	-	40,367,061	41,927,788	43,347,718	44,355,628	46,363,857	47,695,920
Restricted intergovernmental ¹	-	-	-	-	-	11,828,229	16,964,952	26,722,238	19,874,277	16,113,807	13,173,189
Other functional	3,494,800	5,003,604	6,015,649	5,475,181	4,693,419	-	-	-	-	-	-
Permits and fees ¹	-	-	-	-	-	1,889,966	1,880,274	2,824,584	2,757,155	2,933,818	2,347,930
Sales and services ¹	-	-	-	-	-	3,263,932	3,182,815	3,561,896	4,424,754	4,347,871	3,998,499
Miscellaneous	2,153,238	3,903,274	5,117,571	4,543,675	2,820,264	3,108,912	2,837,133	4,186,300	4,254,636	3,543,069	3,906,564
Interest earned on investments	1,067,942	1,558,697	1,892,615	3,695,228	3,030,672	1,748,164	929,799	538,984	307,465	(42,273)	494,849
Total revenues	76,803,650	98,877,836	102,905,496	129,657,485	127,094,073	127,077,085	135,060,027	149,258,387	140,867,657	139,656,451	140,349,233
Expenditures											
Administration	8,025,614	11,600,043	13,235,511	18,261,328	17,796,870	17,473,782	19,865,248	22,269,092	23,463,776	24,004,298	26,540,551
Public safety	38,812,855	44,146,545	50,841,673	56,216,348	57,479,621	60,041,364	65,840,294	65,408,955	66,478,556	68,000,401	72,254,636
Environmental protection	7,591,417	6,500,062	8,970,319	10,075,527	10,439,749	10,328,809	9,493,404	12,859,355	6,650,496	6,386,275	32,980
Transportation	3,191,898	4,581,644	4,532,369	7,559,579	7,697,136	6,111,323	7,437,390	6,213,150	6,853,125	6,986,927	10,595,114
Economic and physical development	6,481,655	6,792,621	5,676,733	1,079,198	4,568,228	4,362,581	4,685,441	9,521,505	5,933,527	5,555,167	633,411
Recreation and community facilities	5,981,710	8,776,825	9,868,885	13,491,872	10,918,848	11,858,912	12,025,817	11,863,297	12,097,831	11,892,121	12,225,457
Capital outlay	7,178,066	20,236,090	17,185,840	19,409,969	14,848,256	13,030,239	12,383,988	33,839,406	18,586,780	13,595,726	10,362,652
Debt Service											
Principal	4,747,232	6,997,440	8,478,146	9,159,387	8,681,196	8,521,585	9,255,316	6,145,096	6,971,981	6,638,587	5,349,379
Interest and fees	2,811,461	2,262,103	2,956,522	2,724,064	2,081,737	1,955,844	1,528,589	1,487,161	1,559,137	1,312,216	1,083,442
Issuance costs	103,985	368,693	-	-	-	-	131,014	-	-	-	-
Total expenditures	84,925,893	112,262,066	121,745,998	137,977,272	134,511,641	133,684,439	142,646,501	169,607,017	148,595,209	144,371,718	139,077,623
Excess (deficiency) of revenues over (under) expenditures	(8,122,243)	(13,384,230)	(18,840,502)	(8,319,787)	(7,417,568)	(6,607,354)	(7,586,474)	(20,348,630)	(7,727,552)	(4,715,267)	1,271,610
Other financing sources (uses)											
Refunding Bonds issued	9,188,034	21,261,589	-	-	-	-	7,896,115	-	-	-	-
Proceeds from capital leases, bonds and other debt	1,162,548	3,104,407	3,834,415	4,537,000	3,303,940	-	6,550,809	14,857,940	-	-	3,937,714
Transfers in	14,479,695	15,334,209	16,793,410	15,283,819	20,000,451	22,695,465	23,323,681	21,357,058	17,197,216	18,954,192	25,838,734
Transfers out	(6,907,096)	(5,916,009)	(8,391,728)	(8,158,763)	(16,724,377)	(17,007,152)	(17,259,353)	(13,106,802)	(11,614,765)	(15,566,151)	(24,095,295)
Sale of Capital Assets ¹	-	-	-	-	-	246,972	210,072	328,316	363,380	1,027,375	114,013
Payment to refund bond escrow agent	(5,469,212)	(6,265,297)	-	-	-	-	(8,600,308)	-	-	-	-
Proceeds from loans	-	-	-	-	-	-	1,250,598	-	-	-	-
Premium on bonds	-	431,212	-	-	-	-	863,131	-	-	-	-
Total other financing sources (uses)	12,453,969	27,950,111	12,236,097	11,662,056	6,580,014	5,935,285	14,234,745	23,436,512	5,945,831	4,415,416	5,795,166
Net change in fund balances	\$ 4,331,726	\$ 14,565,881	\$ (6,604,405)	\$ 3,342,269	\$ (837,554)	\$ (672,069)	\$ 6,648,271	\$ 3,087,882	\$ (1,781,721)	\$ (299,851)	\$ 7,066,776
Debt service as a percentage of noncapital expenditures	9.86%	10.46%	10.94%	10.02%	8.99%	8.68%	8.38%	5.62%	6.56%	6.08%	5.00%

¹ Beginning fiscal year 2009, presentation of these revenue items was changed to reflect a more detailed breakdown.

City of Fayetteville, North Carolina
Tax Revenues By Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Schedule 5

Fiscal Year	Ad Valorem	Sales Tax	Utility Taxes¹	Vehicle License Tax	Privilege License	Beer and Wine Tax	Cablevision and Other Franchise Tax¹	Rental Property Gross Receipts	Consolidated 911 Tax²	Total
2014	\$ 65,328,949	\$ 34,581,531	\$ 11,609,581	\$ 873,233	\$ 1,121,164	\$ 914,579	\$ -	\$ 603,416	\$ -	\$ 115,032,453
2013	61,873,098	33,838,708	11,042,094	615,393	2,466,929	839,798	71,223	593,907	-	111,341,150
2012	60,089,099	33,283,642	9,568,985	617,271	2,557,864	902,467	419,653	572,634	-	108,011,615
2011	58,987,439	31,633,373	10,178,685	624,591	1,226,057	915,803	426,687	562,089	-	104,554,724
2010	58,699,957	30,789,881	10,035,192	630,853	983,146	295,870	372,226	477,886	-	102,285,011
2009	55,553,012	29,628,044	9,196,488	630,065	1,013,929	814,901	380,944	441,381	-	97,658,764
2008	54,765,677	31,659,262	8,072,068	635,993	984,727	801,099	491,902	416,176	361,922	98,188,826
2007	58,574,670	30,488,647	6,554,283	623,019	920,196	788,290	1,243,013	391,124	1,064,599	100,647,841
2006	41,590,985	23,457,449	5,602,548	533,750	815,156	578,491	1,918,758	373,114	950,499	75,820,750
2005	39,622,100	22,543,521	5,245,207	469,488	731,719	578,481	1,547,289	344,913	996,840	72,079,558
2004	38,431,862	20,698,993	5,121,788	444,521	684,806	561,588	2,016,045	305,860	1,041,170	69,306,633

¹ Effective January 1, 2007, video programming broadcast services became subject to state sales taxes and proceeds are now reported with Utility Taxes. Only ancillary services remained subject to a local cablevision franchise tax from January 1, 2007 through the August 31, 2012 termination date of the local franchise agreement.

² Effective January 1, 2008, separate local and state 911 taxes on wireline and wireless phone services were replaced by a consolidated state 911 fee. Tax revenues reported for fiscal year 2008 and prior reflect the combined total of the previous local and state taxes.

**City of Fayetteville, North Carolina
Revenue Base by Customer Class
Charges for Services
Electric Kilowatt Hours Sold
Last Ten Fiscal Years
(Unaudited)**

Schedule 6

Fiscal Year							Total Direct Rate		
							Electric		
	Residential	Commercial	Industrial	Lighting	Other	Total	Base Rate ^a	Usage Rate ^b	
								first 500 kWh	ea kWh > 500
2014	\$ 933,550,479	\$ 755,446,906	\$ 297,474,309	\$ 36,909,744	\$ 56,425,311	\$ 2,079,806,749	\$11.80	\$0.0964	\$0.0964
2013	912,090,576	746,303,677	281,595,874	35,189,619	62,223,142	2,037,402,888	10.80	0.0946	0.0946
2012	897,373,380	760,894,124	299,989,818	35,420,886	59,706,692	2,053,384,900	10.80	0.0946	0.0946
2011	1,013,170,837	785,669,193	301,732,101	35,647,580	64,960,101	2,201,179,812	10.80	0.0900	0.0977
2010	969,676,167	762,559,263	318,392,654	34,471,378	60,706,464	2,145,805,926	9.90	0.0825	0.0896
2009	950,176,318	761,932,351	315,244,653	33,636,689	59,890,915	2,120,880,926	9.00	0.0750	0.0815
2008	920,716,611	769,672,205	337,212,851	34,359,901	59,073,420	2,121,034,988	9.00	0.0750	0.0815
2007	894,699,452	752,650,321	308,222,997	28,539,204	54,675,687	2,038,787,661	9.00	0.0719	0.0794
2006	911,632,771	755,229,052	356,355,125	27,855,361	53,069,016	2,104,141,325	9.00	0.0719	0.0794
2005	865,456,446	743,676,014	376,769,957	27,107,118	54,415,761	2,067,425,296	8.00	0.0710	0.0670

^a Rate shown is for Residential Service- basic facilities charge.

^b Rate shown is for Residential Service-energy charge per kWh.

City of Fayetteville, North Carolina
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Schedule 7

Fiscal Year Ended June 30	Real Property	Personal Property	Public Services Property ¹	Less: Tax Exempt Real Property ²	Total Assessed Value	City General Tax Rate	Estimated Actual Taxable Value	Sales Assessment Ratio ³
2014	\$ 11,969,057,704	\$ 2,179,120,636	\$ 159,501,654	\$ 195,745,648	14,111,934,346	0.456	13,688,580,890	103.73%
2013 ⁴	11,687,657,234	1,822,068,580	166,500,205	192,290,792	13,483,935,226	0.456	13,466,718,003	100.15%
2012	11,453,552,799	1,705,019,913	167,761,204	187,231,303	13,139,102,613	0.456	13,131,221,705	100.07%
2011	11,261,620,799	1,628,238,092	161,145,492	175,051,710	12,875,952,673	0.456	12,893,719,611	99.84%
2010 ⁵	11,041,771,668	1,638,183,540	162,847,740	111,810,830	12,730,992,118	0.456	12,743,028,314	99.89%
2009	8,663,471,270	1,699,962,644	144,941,408	76,918,867	10,431,456,455	0.530	12,384,609,990	81.72%
2008	8,432,008,954	1,699,309,481	156,856,864	71,058,615	10,217,116,684	0.530	11,603,736,461	86.00%
2007	8,166,720,922	1,634,081,615	172,573,842	74,375,245	9,899,001,134	0.530	10,853,177,565	89.65%
2006	6,275,715,436	1,431,355,898	138,799,665	65,483,117	7,780,387,882	0.530	8,286,824,738	92.46%
2005	6,119,634,059	1,207,511,007	133,171,846	63,057,620	7,397,259,292	0.530	7,500,121,924	98.33%

Note: A revaluation of real property is required by North Carolina General Statutes at least every eight years. A County-wide revaluation of real property was effective with the tax levy for fiscal year 2009-2010. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

¹ Public service companies' property includes real and personal property of utilities, railroad and buslines, etc. These assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.

² Exempt real estate only.

³ Estimated actual values and the ratio of total assessed value to total estimated actual value have been adjusted to reflect updated sales assessment ratio percentages from the North Carolina Department of Revenue.

⁴ Excludes values for properties annexed from March 27, 2012 to June 30, 2012, and for which taxes were assessed only for the three-month period of April, May and June 2012.

⁵ Denotes the year in which a revaluation was effective January 1st and reflected in the following fiscal year's property value.

Source: Cumberland County Tax Office

City of Fayetteville, North Carolina
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Per \$100 of Assessed Value)
(Unaudited)

Schedule 8

Fiscal Year Ended June 30	City General Tax Rate	Central Business Tax District Rate	Lake Valley Drive Municipal Service District Rate²	Overlapping Rates ¹ Cumberland County County wide
2014	\$0.456	\$0.100	\$0.345	\$0.740
2013	0.456	0.100	0.345	0.740
2012	0.456	0.100	0.345	0.740
2011	0.456	0.100	-	0.740
2010	0.456	0.100	-	0.766
2009	0.530	0.100	-	0.860
2008	0.530	0.100	-	0.880
2007	0.530	0.100	-	0.880
2006	0.530	0.100	-	0.880
2005	0.530	0.100	-	0.880

Source: Cumberland County Tax Office

¹

Overlapping rates are those of local and county governments that apply to property owners within the City of Fayetteville.

² The Lake Valley Drive Municipal Service District was effective for the first time in fiscal year 2012.

**City of Fayetteville, North Carolina
Principal Property Taxpayers
Ten Year Comparison
(Unaudited)**

Schedule 9

Taxpayer	2014 ¹			2005 ²		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Cross Creek Mall LLC	\$ 113,194,500	1	0.80%	72,650,566	1	0.98%
Carolina Telephone	50,272,818	2	0.36%	\$ 68,824,151	2	0.93%
Piedmont Natural Gas Co. Inc.	42,052,419	3	0.30%	32,623,585	4	0.44%
Wal-Mart	39,554,465	4	0.28%			
Westlake at Morganton LLC	28,107,800	5	0.20%			
Independence Place West Fay	26,605,101	6	0.19%			
Hidden Creek Village	24,803,500	7	0.18%			
DDRM Fayetteville Pavilion LLC	23,862,500	8	0.17%			
Cape Fear Multifamily LLC	23,086,399	9	0.16%			
Eagle Point Village Apartments	22,919,500	10	0.16%			
Centurian Aviation Service				43,787,547	3	0.59%
UDRT of North Carolina				30,953,774	5	0.42%
Fayetteville Publishing Company				22,466,604	6	0.30%
Cross Creek Phase I LLC				17,911,509	7	0.24%
Morganton Development LLC				16,929,434	8	0.23%
Edward Rose Bldg Company				14,538,113	9	0.20%
Inland Southeast Fayetteville				13,620,377	10	0.18%
	<u>\$ 394,459,002</u>		<u>2.80%</u>	<u>\$ 334,305,660</u>		<u>4.51%</u>

¹ Assessed valuations are as of January 1, 2013 and the associated tax levies were due in the fiscal year ended June 30, 2014.

² Assessed valuations are as of January 1, 2004 and the associated tax levies were due in the fiscal year ended June 30, 2005.

Source: Cumberland County Tax Office

City of Fayetteville, North Carolina
Property Tax Levies and Collections 1
Last Ten Fiscal Years
(Unaudited)

Schedule 10

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 64,477,068	\$ 63,626,991	98.68%	\$ -	\$ 63,626,991	98.68%
2013	61,869,392	60,343,502	97.53%	992,861	61,336,363	99.14%
2012	59,990,898	58,593,009	97.67%	1,013,144	59,606,152	99.36%
2011	58,795,924	57,406,499	97.64%	1,021,388	58,427,887	99.37%
2010	58,418,406	57,126,777	97.79%	951,255	58,078,032	99.42%
2009	55,349,877	53,901,099	97.38%	1,082,547	54,983,646	99.34%
2008	54,216,530	52,738,807	97.27%	1,100,088	53,838,895	99.30%
2007	52,534,182	50,964,492	97.01%	1,204,933	52,169,425	99.31%
2006	² 41,311,088	39,855,571	96.48%	1,123,559	40,979,130	99.20%
2005	39,252,202	37,879,950	96.50%	1,106,886	38,986,836	99.32%

¹ Schedule reflects the general tax levy only.

² Does not include \$6,400,613 in 2005 real and personal property taxes related to the Phase V annexation areas since payment of these taxes were due in three installments in fiscal years 2007 through 2009 as a result of legislation approved by the North Carolina General Assembly in May 2006.

Source: Cumberland County Tax Office

City of Fayetteville, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Schedule 11

Fiscal Year	Governmental Activities			Business-type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	Bonded Debt	Capitalized Leases	Notes Payable	General Obligation Bonds	Revenue Bonds	Notes Payable	Capitalized Leases			
2014	\$ 10,861,696	\$ 19,165,621	\$ 450,000	\$ 3,238,303	\$ 136,627,576	\$ 26,275,105	\$ 19,070	\$ 196,637,371	N/A	934
2013 ²	14,110,875	17,927,431	525,000	4,270,372	150,206,030	22,650,444	39,465	209,729,617	N/A	1,003
2012	15,996,406	21,998,896	600,000	4,843,594	150,245,000	15,866,039	59,445	209,609,380	N/A	1,008
2011	19,111,260	25,781,023	1,150,568	5,648,740	150,480,000	16,683,349	79,018	218,933,958	N/A	1,051
2010	22,216,115	13,863,293	1,250,598	6,453,885	169,120,000	17,951,198	98,191	230,953,280	2.624%	1,112
2009	28,937,825	10,267,567	-	7,412,175	155,045,000	19,219,047	-	220,881,614	2.981%	1,217
2008	33,383,061	14,343,916	-	9,041,939	167,735,000	20,486,896	-	244,990,812	3.319%	1,350
2007	38,108,296	14,990,943	5,000	10,626,704	162,360,000	64,396,136	-	290,487,079	4.371%	1,670
2006	52,240,000	14,203,330	65,000	2,705,000	172,565,000	136,357,559	-	378,135,889	8.208%	2,894
2005	57,485,000	13,551,475	125,000	3,640,000	184,320,000	18,303,144	-	277,424,619	6.297%	2,120
2004	46,470,000	13,341,744	185,000	4,585,000	194,630,000	11,867,713	-	271,079,457	6.857%	2,074

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See schedule 17 for per capita personal income and population data.

² Beginning fiscal year 2013, the outstanding debt presented is net of premiums and discounts as reported in the basic financial statements.

**City of Fayetteville, North Carolina
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 (Unaudited)**

Schedule 12

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Total Assessed Value of	
	General Obligation Bonds	Revenue Bonds	Total Primary Government	Property 1	Per Capita 2
2014	\$ 11,641,962	\$ 128,965,000	\$ 136,627,576	0.97%	649
2013	13,955,000	141,965,000	155,920,000	1.16%	746
2012	16,720,000	154,365,000	171,085,000	1.30%	823
2011	19,500,000	155,740,000	175,240,000	1.36%	841
2010	22,290,000	175,500,000	197,790,000	1.55%	952
2009	26,620,000	164,775,000	191,395,000	1.83%	1,055
2008	31,140,000	179,020,000	210,160,000	2.06%	1,158
2007	35,600,000	175,495,000	211,095,000	2.13%	1,214
2006	40,005,000	188,505,000	228,510,000	2.94%	1,749
2005	44,450,000	200,995,000	245,445,000	3.32%	1,876
2004	40,075,000	205,610,000	245,685,000	3.39%	1,880

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See Schedule 7 for property value data.

² Population data can be found in Schedule 17.

City of Fayetteville, North Carolina
Direct and Overlapping Governmental Activities Debt
For the fiscal year ending June 30, 2014
(Unaudited)

Schedule 13

<u>Governmental Unit</u>	<u>Debt Outstanding ¹</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated share of Overlapping Debt</u>
Debt repaid with property taxes:			
Cumberland County	\$ 187,819,350	65.24%	\$ 122,531,809
Subtotal, overlapping debt			122,531,809
City of Fayetteville direct debt			<u>30,477,317</u>
Total direct and overlapping debt			<u><u>\$ 153,009,126</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Cumberland County Tax Administrator. Debt outstanding provided by Cumberland County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of The City of Fayetteville. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Cumberland County's taxable assessed value that is within the city's boundaries and dividing it by Cumberland County's total taxable assessed value.

**City of Fayetteville, North Carolina
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)
 (Unaudited)**

Schedule 14

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 579,100,044	\$ 591,780,743	\$ 622,431,031	\$ 791,920,091	\$ 817,369,335	\$ 834,516,516	\$ 1,018,479,369	\$ 1,030,076,213	\$ 1,051,128,209	\$ 1,083,524,525	\$ 1,128,954,748
Total net debt applicable to limit	76,449,457	93,104,619	91,755,888	85,462,079	77,255,812	65,836,614	61,833,280	68,453,958	59,364,380	58,617,340	59,609,316
Legal debt margin	\$ 502,650,587	\$ 498,676,124	\$ 530,675,143	\$ 706,458,012	\$ 740,113,523	\$ 768,679,902	\$ 956,646,089	\$ 961,622,255	\$ 991,763,829	\$ 1,024,907,185	\$ 1,069,345,427
Total net debt applicable to the limit as a percentage of debt limit	13.20%	15.73%	14.74%	10.79%	9.45%	7.89%	6.07%	6.65%	5.65%	5.41%	5.28%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Value	\$ 14,111,934,346
Debt Limit (8% of total assessed value)	1,128,954,748
Debt applicable to limit:	
Bonded debt	14,099,999
Notes payable	26,324,626
Capitalized leases	19,184,691
Subtotal	<u>59,609,316</u>
Authorized and unissued debt	<u>-</u>
Total Gross Debt	59,609,316
Less: Statutory deductions	
Bonds issued and outstanding for water and sewer purposes	-
Authorized and unissued debt	<u>-</u>
Total amount of debt applicable to debt limit	<u>59,609,316</u>
Legal debt margin	<u>\$ 1,069,345,432</u>

City of Fayetteville, North Carolina
Pledged Revenue Coverage - Utility
Last Ten Fiscal Years
(Unaudited)

Schedule 15

Fiscal Year Ended June 30	Utility Service Charges	Less: Operating Expenses ¹	Other Adjustments ²	Net Available Revenue	Debt Service Requirements ⁵			Coverage ⁴
					Principal	Interest ³	Total	
2014	\$ 292,346,282	\$ 239,843,361	-	\$ 52,502,921	\$ 13,332,790	\$ 6,544,834	\$ 19,877,624	\$ 2.64
2013	283,193,071	221,444,124	-	61,748,947	12,492,849	6,076,168	18,569,017	3.33
2012	268,571,535	169,183,581	-	99,387,954	11,832,848	7,312,245	19,145,093	5.19
2011	263,233,442	168,529,066	-	94,704,376	19,907,849	8,041,630	27,949,479	3.39
2010	237,548,315	162,270,074	-	75,278,241	12,267,849	7,529,204	19,797,053	3.80
2009	226,977,025	162,615,432	-	64,361,593	13,957,849	8,467,888	22,425,737	2.87
2008	222,216,687	150,679,743	36,339,385	107,876,329	55,559,241	6,997,294	62,556,535	1.72
2007	212,755,158	139,562,295	70,472,808	143,665,671	83,646,456	9,739,550	93,386,006	1.54
2006	207,281,292	145,596,083	34,298,883	95,984,092	39,499,356	9,882,230	49,381,586	1.94
2005	193,113,963	141,516,235	-	51,597,728	10,689,756	7,067,747	17,757,503	2.91

Notes:

¹ Operating expenses include operating expenses exclusive of depreciation and all other amortization.

² Other adjustments is the recognition of Prepaid Purchase Power Supply net of discount.

³ Interest represents accrual based interest excluding capitalized interest.

⁴ Coverage ratios do not represent coverage calculations as defined in the bond order.

⁵ Debt service includes revenue bonds and notes and excludes G.O. bonds.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Fayetteville, North Carolina
Pledged Revenue Coverage - Stormwater
Last Ten Fiscal Years¹
(Unaudited)

Schedule 16

Fiscal Year Ended June 30	Stormwater Service Charges	Less: Operating Expenses ²	Net Available Revenue	Debt Service Requirements ⁵			Coverage ⁴
				Principal	Interest ³	Total	
2014	\$ 5,268,914	\$ 3,546,480	\$ 1,722,434	\$ 595,000	\$ 223,380	\$ 818,380	2.10
2013	5,233,338	2,384,924	2,848,414	575,000	208,594	783,594	3.64
2012	5,164,229	2,287,316	2,876,913	265,000	38,950	303,950	9.47

Notes:

- ¹ The Stormwater Fund became an Enterprise Fund effective with fiscal year 2012.
- ² Operating expenses include operating expenses exclusive of depreciation and all other amortization.
- ³ Interest represents accrual based interest excluding capitalized interest.
- ⁴ Coverage ratios do not represent coverage calculations as defined in the bond order.
- ⁵ Debt service includes revenue bonds and excludes notes payable.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Fayetteville, North Carolina
Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Schedule 17

Year	Population ¹	Personal Income	Per Capita Personal Income ²	School Enrollment ³	Unemployment Rate ⁴	Retail Sales in Billions ⁵	
						City	County
2014	210,468	N/A	N/A	51,855	N/A	N/A (a)	\$3.509
2013	209,080	N/A	N/A	52,729	6.6%	N/A (a)	3.559
2012	208,001	9,482,765,590	45,590	53,063	7.1%	N/A (a)	3.532
2011	208,291	9,322,896,869	44,759	53,361	7.5%	N/A (a)	3.376
2010	207,779	8,800,271,766	42,354	52,187	7.2%	N/A (a)	3.241
2009	181,481	7,409,687,749	40,829	53,162	6.7%	2.348	2.844
2008	181,453	7,380,419,322	40,674	52,912	5.1%	2.301	2.752
2007	173,898	6,646,207,662	38,219	53,912	4.3%	2.253	2.747
2006	130,646	4,606,708,606	35,261	53,403	4.3%	2.062 (b)	2.505 (b)
2005	130,850	4,405,981,200	33,672	53,399	5.1%	2.987	3.684

Sources:

1. Office of State Budget and Management, Certified Municipal Population Estimates for July 1, 2004 through July 1, 2013.
2. Bureau of Economic Analysis, US Department of Commerce. Data presented for Cumberland County, NC. 2013 and 2014 data not yet available.
3. Cumberland County Schools, District Profile and Communications & Public Relations Department
4. NC Employment Security Commission. Calendar year unemployment statistics for Fayetteville, NC. 2014 data is not yet available.
5. North Carolina Department of Revenue, Policy Analysis and Statistics Division. State Sales and Use Tax Statistics.
 - (a) Municipal tax reporting not available after June 30, 2009.
 - (b) Tax reporting changed to reflect only taxable sales effective July 2005.
 - (c) Tax reporting changed to add use tax effective December 2001.

**City of Fayetteville, North Carolina
Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Schedule 18

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
U.S. Dept. of Defense (Civilian) ¹	14,515	1	11.21%	4,431	3	3.64%
Cumberland County Board of Education	6,625	2	5.12%	6,500	1	5.35%
Cape Fear Valley Health System	5,400	3	4.17%	5,000	2	4.11%
Wal-Mart Associates Inc	2,860	4	2.21%	1,200	9	0.99%
Goodyear Tire & Rubber Company	2,500	5	1.93%	2,650	4	2.18%
Cumberland County Government	2,350	6	1.81%	2,500	5	2.06%
City of Fayetteville	2,100	7	1.62%	1,982	6	1.63%
Fayetteville Technical Community College	1,390	8	1.07%	1,250	8	1.03%
US Postal Service	1,225	9	0.95%	1,312	7	1.08%
Purolator, Inc.	1,000	10	0.77%	1,150	10	0.95%
Total Employment (Ten Largest Civilian Employers)	39,965		30.86%	27,975		23.02%

¹ Only includes Dept. of Defense Civilian Employees. Does not include contract employees or non-appropriated funds employees.

Sources: Fort Bragg Public Affairs Office, Cumberland County School System, Fayetteville Observer, NC Municipal Council, City of Fayetteville

City of Fayetteville, North Carolina
Full-time City Government Employees by Function
Last Ten Fiscal Years
(Unaudited)

Schedule 19

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Administration	85	76	92	97	91	91	93	96	105	108
Public Safety	800	806	834	827	827	829	875	851	898	911
Environmental Protection ^{1,2,3}	108	91	123	145	118	136	124	85	84	4
Transportation	60	57	77	52	79	79	72	77	78	78
Economic and physical development	10	14	18	15	15	19	24	20	20	20
Recreation and community facilities	127	115	126	125	125	133	114	121	121	117
Electric	244	254	254	237	244	255	240	249	257	269
Internal Service	45	45	30	44	44	52	48	45	46	45
Water	153	145	139	193	194	194	143	150	155	229
Wastewater	135	133	142	90	96	100	142	152	154	104
Transit	53	52	50	54	54	61	76	87	92	89
Airport	15	14	21	18	18	18	18	19	19	20
Stormwater ^{1, 2}	-	-	-	-	-	-	-	26	26	36
Environmental Services ³ (solid waste & recycling)	-	-	-	-	-	-	-	-	1	70
Total	<u>1,835</u>	<u>1,802</u>	<u>1,906</u>	<u>1,897</u>	<u>1,905</u>	<u>1,967</u>	<u>1,969</u>	<u>1,978</u>	<u>2,056</u>	<u>2,100</u>

Source: City Finance Office Annual Cost Allocation Plan and Public Works Commission

¹The Stormwater Fund became an Enterprise Fund effective with fiscal year 2012 and is no longer included with Environmental Protection.

²The street sweeping function became a part of the Stormwater enterprise fund effective with fiscal year 2014 and is no longer included with Environmental Protection.

³The solid waste function became a part of the Environmental Services enterprise fund effective with fiscal year 2014 and is no longer included with Environmental Protection.

**City of Fayetteville, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)**

Schedule 20

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Fire ⁽¹⁾										
Emergency responses	15,397	18,882	20,215	22,608	23,197	25,166	25,272	27,843	27,643	21,763 ⁽²⁾
Fires extinguished	985	1,065	1,495	1,092	930	1,118	869	977	721	550 ⁽²⁾
Fire inspections	3,369	4,584	4,824	6,052	4,159	5,670	6,900	6,335	2,761	2,339 ⁽²⁾
Police ⁽¹⁾										
Number of law violations:										
Physical arrests	7,864	7,807	8,522	9,372	7,968	8,865	10,336	8,968	7,168	3,545 ⁽³⁾
Traffic citations	22,171	19,225	28,339	39,240	35,484	45,982	48,162	31,054	21,058	9,675 ⁽³⁾
Warning citations	11,528	11,114	12,493	12,572	13,481	13,096	21,034	19,713	17,219	9,173 ⁽³⁾
Calls for service	191,331	199,314	204,549	215,797	215,127	219,428	222,136	230,389	251,891	123,908 ⁽³⁾
Development Services										
Number of permits issued:										
Residential:										
New single family	388	691	586	362	317	401	431	548	502	343
New multi-family										
Number of units	713	1,111	1,154	459	712	619	1,165	966	983	111
Renovations	750	1,095	1,222	1,303	1,364	1,297	1,390	1,350	2,098	1,557
Commercial:										
New	61	93	88	60	52	60	87	62	71	51
Renovations	307	281	301	299	259	294	461	611	541	559
Other:										
Miscellaneous	12,716	16,695	16,057	14,824	16,731	16,185	17,598	19,290	13,132	10,319
Yard sale	1,075	1,202	1,227	1,229	1,175	1,186	1,186	1,114	921	998

City of Fayetteville, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

Schedule 20

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cultural and Recreational ⁽⁴⁾										
Youth Sports participants	11,953	12,718	10,921	9,580	11,543	9,871	16,081	10,870	11,805	11,173
Adult Sports participants	2,267	1,768	1,676	1,648	2,100	5,348	6,772	1,036	1,172	1,087
Senior participants	53,136	54,172	68,718	85,564	89,461	62,818	92,894	102,170	109,503	89,416
Therapeutic participants	N/A	26,926	30,993	34,169	38,996	2,348	22,192	20,048	29,522	22,793
Aquatics participants	N/A	N/A	N/A	N/A	N/A	N/A	23,811	24,903	22,394	22,123
Park programs participants	N/A	25,209	29,161	29,359	27,584	16,810	24,182	24,074	21,712	28,086
Special events participants	N/A	5,415	3,698	2,745	2,841	2,979	6,567	11,161	11,983	20,727
Permitted events	N/A	44	35	61	66	82	81	64	66	89
Mobile stage/bleacher rentals	N/A	48	36	50	44	49	51	47	44	49
Recreation center participants	N/A	N/A	419,041	514,943	673,934	430,654	508,801	524,772	525,848	586,199
Historical properties participants	N/A	N/A	14,499	15,713	22,354	15,401	34,011	134,247	105,126	95,622
Picnic shelter rentals	N/A	N/A	28,597	30,041	29,211	31,772	38,381	50,218	46,839	40,761
Festival Park	N/A	N/A	107,148	323,028	267,794	na	na	na	na	na
Tier 1 Events (0 - 500 Attendees)	N/A	N/A	N/A	N/A	N/A	6	2	5	3	1
Tier 2 Events (501 - 2,500 Attendees)	N/A	N/A	N/A	N/A	N/A	12	7	11	13	6
Tier 3 Events (2,501+ Attendees)	N/A	N/A	N/A	N/A	N/A	15	13	14	13	6
Transportation										
Street Maintenance										
Streets maintained (miles)	532.22	688.65	704.48	721.19	722.38	724.39	726.51	730.79	734.13	735.69
Street resurfacing and cape sealing (miles)	12.15	8.82	13.29	14.68	20.42	31.77	25.05	19.52	17.80	14.30
Number of traffic signals maintained ⁽⁵⁾	169	175	178	178	205	225	225	225	226	214
Engineering										
Driveway permits (residential)	345	433	581	323	310	378	426	429	578	382
Driveway permits (commercial)	66	33	75	43	40	23	42	42	42	28
Public Utilities										
Water System:										
Water main breaks	152	119	128	146	130	180	182	165	104	137
Average daily consumption (Mgals) ⁽⁶⁾	20,635	21,850	21,675	22,879	22,450	22,423	25,446	26,724	24,648	24,815
Peaks (MGD) ^{(7) (8)}	33.4	32.6	37.0	38.4	34.9	37.2	39.4	37.9	35.6	33.7
Total sold (Mgals) ⁽⁶⁾	7,136,082	7,561,199	7,555,333	7,894,590	7,707,256	7,749,106	8,888,870	8,960,423	9,009,524	7,836,927

**City of Fayetteville, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)**

Schedule 20

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Sewer System:										
Main breaks	149	208	150	156	291	342	293	342	344	294
Average daily consumption (Mgals) ⁽⁶⁾	15,337	15,810	16,026	16,509	16,338	16,436	16,557	24,720	24,400	27,000
Peaks (MGD) ⁽⁸⁾	28.1	26.6	27.9	27.7	31.5	27.8	26.3	35.9	27.7	45.0
Total sold (Mgals) ⁽⁶⁾	5,583,643	5,754,784	5,837,838	6,014,627	5,953,806	5,999,105	6,043,126	5,972,764	5,933,990	6,027,916
Electric System:										
Electric outages (minutes)	3,449,900	3,450,039	2,079,483	3,016,526	2,210,508	2,296,534	2,340,931	2,807,700	3,821,940	4,677,182
Peaks (MW) ⁽⁹⁾	439.3	474.5	462.5	476.6	459.5	462.4	459.1	459.1	446.0	454.0
Total Kwh sold ⁽¹⁰⁾	2,022,146,431	2,060,681,493	1,993,810,584	2,073,630,914	2,074,038,439	2,139,521,914	2,194,905,986	2,053,384,900	2,037,402,888	2,079,806,749
Average daily consumption (Kwh) ⁽¹⁰⁾	5,664,179	5,764,771	5,585,720	5,811,055	5,810,633	5,878,920	6,030,630	5,917,385	5,581,926	5,698,101
Airport ⁽¹⁾										
Number of enplaned passengers	153,524	153,164	175,432	199,438	229,480	259,454	254,134	253,330	244,345	172,191 ⁽¹¹⁾
Number of deplaned passengers	150,675	154,877	174,967	197,092	229,993	254,891	258,719	253,575	243,876	171,630 ⁽¹¹⁾

- (1) Statistics for the fire, police and airport functions are based on calendar years
- (2) Statistics for the Fire Department for 2014 are reflected through September 30, 2014
- (3) Statistics for the Police Department for 2014 are reflected through June 30, 2014.
- (4) Statistics for 2005 and beyond reflect the merger of Cumberland County and City of Fayetteville Parks and Recreation Departments
- (5) Reflects the number of traffic signals maintained by the City of Fayetteville
- (6) Mgals = 1,000 gallons
- (7) Reflects highest monthly average
- (8) MGD = 1,000,000 gallons per day
- (9) MW = megawatts
- (10) Kwh = kilowatt hours
- (11) Statistics for the Airport for 2014 are reflected through September 30, 2014.

Source: Information provided by various city departments and Public Works Commission

**City of Fayetteville, North Carolina
Capital Assets Statistics by Function
Last Ten Fiscal Years
(Unaudited)**

Schedule 21

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Fire										
Number of stations	13	15	15	16	16	16	16	16	16	16
Police										
Number of stations	2	2	2	2	2	2	2	2	2	2
Cultural and Recreational										
Mini parks (.5 - 3 acres)	N/A	13	12	12	12	12	12	12	12	12
Neighborhood parks (7 - 15 acres)	N/A	13	14	14	14	14	14	14	14	14
Community parks (30 - 50 acres)	N/A	7	6	6	6	6	6	7	7	7
Sports complexes (40 - 80 acres)	N/A	2	2	2	2	2	2	3	3	3
Green spaces	N/A	7	8	8	8	8	8	8	8	8
Neighborhood school-parks	N/A	32	34	34	34	34	34	34	34	34
Community school-parks	N/A	1	1	1	1	1	1	1	1	1
Linear parks	N/A	3	3	3	3	3	3	3	3	3
Special use parks	N/A	12	6	7	7	7	7	8	8	8
Program sites	N/A	8	8	8	8	8	8	8	8	8
Regional parks (100 - 250 acres)	N/A	4	3	3	3	3	3	3	3	3
Community center with gym	N/A	N/A	16	16	16	16	16	16	16	16

**City of Fayetteville, North Carolina
Capital Assets Statistics by Function
Last Ten Fiscal Years
(Unaudited)**

Schedule 21

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public Utilities										
Water System:										
Miles of water main	1,198.2	1,229.0	1,245.0	1,278.5	1,296.3	1,316.4	1,329.2	1,351.5	1,364.3	1,374.4
Number of new service connections	2,360	2,962	3,154	2,285	1,220	616	962	2,649	1,375	1,258
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5	57.5
Storage capacity (MGD) ⁽¹⁾	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1	36.1
Sewer System:										
Number of new service connections	2,299	3,142	3,006	2,260	1,752	317	1,140	1,612	1,375	1,358
Miles of sanitary sewer mains	1,051.0	1,092.0	1,103.0	1,132.5	1,149.7	1,165.8	1,181.5	1,203.7	1,219.0	1,281.0
Maximum daily capacity of treatment plant (MGD) ⁽¹⁾	41.0	41.0	41.0	41.0	46.0	46.0	46.0	46.0	46.0	46.0
Electric System:										
Number of new service connections	1,426	2,245	1,744	1,151	471	650	533	1,359	64	432
Distribution line circuit miles	2,750.50	2,781.86	2,962.40	2,982.10	2,986.88	1,305.49 ⁽²⁾	1,313.79	1,316.73	1,316.48	1,326.60
Transportation										
Street Maintenance										
Streets maintained (miles)	532.22	688.65	704.48	721.19	722.38	724.39	726.51	730.79	734.13	735.69
Number of traffic signals ⁽³⁾	27	29	28	28	28	28	28	28	29	29

(1) MGD = 1,000,000 gallons per day

(2) Reflects correction of presentation of previous data

(3) Reflects the number of traffic signals owned by the City of Fayetteville

Source: Information provided by various city departments and Public Works Commission

OMB Circular A-133 and State Single Audit Implementation Act Compliance Section

- Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
- Report of Independent Auditor on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Report of Independent Auditor on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Schedule of Findings and Questioned Costs
- Corrective Action Plan
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Federal and State Awards

**Report of Independent Auditor on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor
and Members of the City Council
City of Fayetteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Fayetteville, North Carolina, (the "City") as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management’s Response to the Finding

Management’s responses to the findings identified in our audit are described in the accompanying “Schedule of Findings and Questioned Costs.” Management’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fayetteville, North Carolina
November 6, 2014

**Report of Independent Auditor on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Federal Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133
and the State Single Audit Implementation Act**

The Honorable Mayor
and Members of the City Council
City of Fayetteville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Fayetteville, North Carolina, (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Fayetteville, North Carolina
November 6, 2014

**Report of Independent Auditor on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major State Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133
and the State Single Audit Implementation Act**

The Honorable Mayor
and Members of the City Council
City of Fayetteville, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Fayetteville, North Carolina, (the "City") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014. The City's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Fayetteville, North Carolina
November 6, 2014

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

SECTION I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified Yes X No
- Significant deficiency identified
that is not considered to be a
material weakness X Yes None reported
- Noncompliance material to financial
statements noted Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness identified Yes X No
- Significant deficiency identified
that is not considered to be a
material weakness Yes X None reported
- Noncompliance material to federal
awards Yes X No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133

 Yes X No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
14.218	Community Development Block Grants
14.239	Home Investment Partnership Program
66.468	Capitalization Grants for Drinking Water State Revolving Funds
16.922	Equitable Sharing Program

Dollar threshold used to distinguish
between Type A and Type B Programs

 \$ 461,161

Auditee qualified as low-risk auditee?

 X Yes No

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

State Awards

Internal control over major State programs:

- Material weakness identified Yes No
- Significant deficiency identified
that is not considered to be a
material weakness Yes None reported
- Noncompliance material to State awards Yes No

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with the State Single Audit
Implementation Act Yes No

Identification of major State programs:

Program Name
Powell Bill
NC Veteran's Park

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

SECTION II. Financial Statement Findings

The following findings relate to the utility operations of the City which are hereinafter referred to as the Utilities ("Utilities").

Finding Number: 2014-001

SIGNIFICANT DEFICIENCY- System Development Life Cycle Controls

Criteria:

Information technology general computer controls ("ITGC") are used to manage and control information technology activities. ITGCs are pervasive controls that contribute indirectly to the achievement of most financial statement assertions. ITGCs serve as a foundation that support financial and accounting systems including the system of controls that safeguard information, process financial transactions, and maintain accounting records.

In the year of a material change to underlying financial systems, risk in financial reporting increases. The ITGCs related to System Development Life Cycle ("SDLC") controls must be evaluated to ensure that the application software being implemented adequately supports financial reporting objectives. The key components of SDLC controls that should be in place during a material system conversion include (1) Determining System Requirements, (2) Project Plan, (3) Testing System Controls, (4) System Integration Testing and (5) Data Conversion. These components represent a series of preventative and detective control objectives that are necessary to mitigate the risk of material misstatement in the financial statements.

Condition and Context:

During the Fiscal Year Ended June 30, 2014, the Utilities implemented the Oracle Enterprise Business System ("eBS") to be used for the foundation of its enterprise resource planning ("ERP") system. In addition, the Utilities implemented Oracle Work & Asset Management ("WAM") for time entry and job costing for work order activities to account for construction in process to final capital asset accounting. This implementation materially affects the Utilities' system of internal controls over financial reporting as eBS covers the significant business cycles and related classes of transactions for the Utilities.

SDLC business requirements, system design, testing and training to ensure business activities would integrate within the new ERP system for Business and Financial Operations personnel was insufficient. Specifically, we could not find evidence that Systems Integration Testing ("SIT"), User Acceptance Testing ("UAT") and business cycle End-to-End and/or Conference Room Pilot ("CRP") testing and related training was sufficiently robust to ensure both operational and financial reporting objectives would be achieved. We were unable to find evidence that the Utilities completed all UAT, SIT, CRP and related end user training for Oracle eBS and WAM prior to going live, including conducting full mock financial closes and testing of key system based reports to verify results were in line with the Utilities' expectations.

Effect:

Had these procedures been performed at the appropriate level, it is likely they would have detected the design and operating deficiencies related to closing work orders within the WAM system and placing capital projects in service in eBS in a timely manner prior to going live on the new system. This resulted in significant inefficiency (unable to timely close financial modules and the general ledger), required workaround activities and rework for how the Utilities uses WAM and eBS.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Finding Number: 2014-001 (continued)

Cause:

The Utilities experienced unplanned turnover with members of the Oracle Implementation firm and in several critical internal ERP project team positions including IT Director, two (2) Project managers, and the Phase I lead trainer finance and accounting professional designated as "Train the Trainer." This impacted knowledge transfer and post go-live production support. Because of this and the reliance on the "Train the Trainer" approach, the Utilities conducted limited end user training and minimal SIT, UAT and CRP testing for Oracle, eBS, and WAM.

Recommendation:

We recommend the Utilities revisit the design requirements initiative and an internal control initiative to re-implement WAM and its interface with eBS to ensure business operations activities integrate with WAM and related financial accounting. Further, we recommend Utilities formalize the monthly financial close of the WAM module and key related reports to verify results are in line with key expectations.

Utilities' Response:

The Utilities is currently revisiting the design and internal control environment related to the WAM and eBS interface as a means to ensure that the integration's functionality is accurate. As this process is completed, the steps to close the WAM module on a monthly basis will be formalized and documented accordingly. This documentation will include procedures that will utilize system-generated reports to reconcile the WAM module activity for the month to the eBS general ledger system. This will ensure that the Utilities' key expectations in this regard are met.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Finding Number: 2014-002

SIGNIFICANT DEFICIENCY- Segregation of Duties and System Based Logical Access Controls

Criteria:

ITGCs related to Access and Security controls must be evaluated every year. Risks related to these controls increase in the year of a material change to the system of internal control such as an implementation of a new system. Within Security and Access controls a key component is ensuring and maintaining an appropriate segregation of duties.

Segregation of duties ("SOD") is fundamental to fraud risk management. SOD control should operate on a continuous basis in order to be effective.

Condition and Context:

The Utilities implemented eBS and WAM in November 2013. The Utilities has not yet established period access review ("PAR") controls to ensure end user access is appropriate and consistent with SOD controls as part of Utilities' anti-fraud program and objective to safeguard assets.

Effect:

Without a thorough review of system based roles, responsibilities and end user access, the Utilities is subject to an increased exposure to unintended consequences in the form of error and fraud.

Cause:

The Utilities experienced unplanned employee turnover with members of the Oracle Implementation firm ("Consulting Firm") and in several critical internal ERP project team positions including IT Director, two (2) Project Managers, and the Phase I lead trainer finance and accounting professional designated as "Train the Trainer."

Recommendation:

We recommend that the Utilities:

- Perform a fraud risk assessment and verify functional SODs and related anti-fraud controls considered important as part of its anti-fraud program.
- Identify and verify key Oracle "Form/Functions" important to SODs and that they are limited to only the desired Oracle Responsibilities and are in line with the Utilities' expectations.
- Review end users' logical access against the users' Oracle Responsibilities containing the aforementioned key Form/Functions to ensure they remain appropriate given the employee/user's job responsibilities and duties and the Utilities' requirements for SODs.
- Design PAR controls to operate on a quarterly basis to ensure user access remains appropriate considering changes in employee status such as new hires, terminations and employee job rotation in the normal course of business.

In addition, the Utilities should evaluate its IT production support center for appropriate SOD controls as follows:

- Personnel in the IT department do not have the responsibility for transaction and accounting duties normally performed by end users in the functional area.
- IT personnel administering security do not have responsibilities for programming, database management or computer operations.
- Programmers and developers do not have access to modify production software code.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Finding Number: 2014-002 (continued)

Additionally, controls should be in place to ensure that all users are uniquely identified, meaning there are no shared logins except for limited, read-only access. Access rights of any generic logins should be appropriately limited.

Utilities' Response:

The Utilities hired additional IS Security personnel on 7/28/14 with the purpose of providing additional oversight of systems security policies, standards, and processes. The Utilities' IS Security section is responsible for monitoring and auditing all systems access, ensuring adherence to the Utilities' policies and separated from the other IS functions of programming, database management, and computer operations.

As part of the post-implementation system stabilization, the Utilities is currently reviewing and updating the segregation/separation of duties for user roles based on functional job requirements. Once updated, systems access will be audited on a regular basis to insure that defined user roles are still appropriate for functional job and SOD requirements. In addition, IS Security and Utilities' Internal Auditor will coordinate to address steps for fraud risk prevention. As a part of the SOD, IS personnel are not granted access rights to perform the production transactional duties of end users in functional areas or modify production software code or configurations.

The Utilities' current policy prohibits the sharing of user IDs and passwords. All of the Utilities' system users are assigned a unique named user ID. System-level accounts are limited to specific application system functions and restricted to IS Security, database and systems administration personnel as required. IS systems administrators are issued separate credentials to perform critical systems maintenance functions.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

SECTION III. Federal Award Findings and Questioned Costs

None reported.

SECTION IV. State Award Findings and Questioned Costs

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA

Corrective Action Plan

Year Ended June 30, 2014

Finding Number: 2014-001

Name of contact person: Brenda Brown

Corrective Action: The Utilities is currently revisiting the design and internal control environment related to the WAM and eBS interface as a means to ensure that the integration's functionality is accurate. As this process is completed, the steps to close the WAM module on a monthly basis will be formalized and documented accordingly. This documentation will include procedures that will utilize system-generated reports to reconcile the WAM module activity for the month to the eBS general ledger system. This will ensure that the Utilities' key expectations in this regard are met.

Proposed Completion Date: May 31, 2015

Finding Number: 2014-002

Name of contact person: Brenda Brown

Corrective Action: The Utilities hired additional IS Security personnel on 7/28/14 with the purpose of providing additional oversight of systems security policies, standards and processes. The Utilities' IS Security section is responsible for monitoring and auditing all systems access, ensuring adherence to the Utilities' policies and separated from the other IS functions of programming, database management and computer operations.

As part of the post-implementation system stabilization, the Utilities is currently reviewing and updating the segregation/separation of duties for user roles based on functional job requirements. Once updated, systems access will be audited on a regular basis to insure that defined user roles are still appropriate for functional job and SOD requirements. In addition, IS Security and the Utilities' Internal Auditor will coordinate to address steps for fraud risk prevention. As a part of the SOD, IS personnel are not granted access rights to perform the production transactional duties of end users in functional areas or modify production software code or configurations.

The Utilities' current policy prohibits the sharing of user IDs and passwords. All of the Utilities' system users are assigned a unique named user ID. System-level accounts are limited to specific application system functions and restricted to IS Security, database and systems administration personnel as required. IS systems administrators are issued separate credentials to perform critical systems maintenance functions.

Proposed Completion Date: May 31, 2015

CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

None reported.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
<u>US DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>					
<u>Community Development Block Grant Cluster</u>					
CDBG Entitlement Grant FY2012-2013	14.218	B-12-MC-37-0005	\$ 1,112,699	\$ -	\$ 1,112,699
CDBG Entitlement Grant FY2013-2014	14.218	B-13-MC-37-0005	61,289	-	61,289
			<u>1,173,988</u>	<u>-</u>	<u>1,173,988</u>
<u>HOME Investment Partnership Program</u>					
FY2011-2012	14.239	M11-MC370203	424,771	-	424,771
FY2012-2013	14.239	M12-MC370203	224,890	-	224,890
FY2013-2014	14.239	M13-MC370203	56,901	-	56,901
			<u>706,562</u>	<u>-</u>	<u>706,562</u>
<u>US DEPARTMENT OF JUSTICE</u>					
<u>Justice Assistance Grant Cluster</u>					
<u>Office of Justice Programs</u>					
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government - FINAL					
	16.804	2009RJWX0060	115,426	-	115,426
Pass through from Cumberland County, NC					
Edward Byrne Memorial Justice Assistance Grant Program - FINAL					
	16.738	2010-DJ-BX-0269	14,674	-	14,674
Edward Byrne Memorial Justice Assistance Grant Program					
	16.738	2013-DJ-BX-1137	25,935	-	25,935
Pass through from NC Department of Public Safety					
Edward Byrne Memorial Justice Assistance Grant Program					
	16.738	2010-DJ-BX-0045	1,818	-	1,818
Edward Byrne Memorial Justice Assistance Grant Program					
	16.738	2012-DJ-BX-0640	44,597	-	44,597
Edward Byrne Memorial Justice Assistance Grant Program					
	16.738	2010-DJ-BX-0045	40,493	-	40,493
			<u>242,943</u>	<u>-</u>	<u>242,943</u>
ARRA - Violence Against Women - FY12					
	16.588	2012-WF-AX-0058	4,532	-	4,532
			<u>4,532</u>	<u>-</u>	<u>4,532</u>
Office of Justice Programs					
Cumberland County STARS Drug Treatment Court					
	16.585	2011-DC-BX-0120	58,163	-	58,163
			<u>58,163</u>	<u>-</u>	<u>58,163</u>
COPS Technology Grant					
	16.710	2010-CK-WX-0206	6,640	-	6,640
			<u>6,640</u>	<u>-</u>	<u>6,640</u>
Office of Justice Programs					
Bulletproof Vest Partnership					
	16.607		9,121	-	9,121
Equitable Sharing Program					
	16.922		418,965	-	418,965
<u>OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION</u>					
Pass through from Cal Ripken, Sr. Foundation					
2013 Badges for Baseball Program					
	16.726	2013-ST-OAG-B4B-NC-16	4,000	-	4,000
2014 Badges for Baseball Program					
	16.726	2014-FED-MSM-B4B-NC-1	21,500	-	21,500
2014 Badges for Baseball Program					
	16.726	2014-ST-OAG-B4B-NC-16	384	-	384
			<u>25,884</u>	<u>-</u>	<u>25,884</u>
<u>US DEPARTMENT OF THE TREASURY</u>					
Treasury Forfeiture Fund Program					
	21.000	N/A	248,478	-	248,478
			<u>248,478</u>	<u>-</u>	<u>248,478</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Special Programs for the Aging					
Pass through NC Department of Health & Human Services					
Senior Citizens Service Center					
	93.044	N/A	26,239	-	26,239
			<u>26,239</u>	<u>-</u>	<u>26,239</u>
<u>US DEPARTMENT OF TRANSPORTATION</u>					
Federal Aviation Administration					
Airport Improvement Program					
Rehab Carrier Apron					
	20.106	FAA-3-37-0021-38	134,601	-	134,601
Runway 4 Safety Area					
	20.106	FAA-3-37-0021-39	579,091	-	579,091
Runway 4/22 Paved					
	20.106	FAA-3-37-0021-41	1,286,571	-	1,286,571
			<u>2,000,263</u>	<u>-</u>	<u>2,000,263</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
Passed through NC Dept of Transportation					
Transportation Improvement Program					
Cape Fear River Trail, Phase 2	20.205	E-4539B	\$ 105,701	\$ -	\$ 105,701
			<u>105,701</u>	<u>-</u>	<u>105,701</u>
Federal Transportation Administration					
Federal Transit Grant Cluster					
Capital Investment Grants	20.500	NC.04.0033	123,834	-	123,834
	20.500	MMTC Downtown (04.0055)	14,223	-	14,223
	20.500	Veterans Website (04.0054)	3,200	-	3,200
Preventative Maintenance & American with Disabilities Act	20.507	NC 90.X526	132,249	-	132,249
	20.507	NC 90.X548	1,268,608	-	1,268,608
Operating Assistance	20.507	NC 90.4552	217,945	-	217,945
ARRA Grant	20.507	NC 96.0002	156,414	-	156,414
Capital Grants	20.507	NC 90.0464	16,735	-	16,735
	20.507	NC 90.0469	720,927	-	720,927
	20.507	NC 90.0514	861,710	-	861,710
Planning Grants:	20.507	NC.90.2453	6,723	-	6,723
	20.507	NC.90.2464	21,665	-	21,665
	20.507	NC 90.2469	50,949	-	50,949
	20.507	NC 90.2514	48,827	-	48,827
			<u>3,644,009</u>	<u>-</u>	<u>3,644,009</u>
Federal Transit Services Program Cluster					
JARC Projects	20.516	NC 37.4027	6,614	-	6,614
	20.516	NC 37.4032	53,084	-	53,084
New Freedom Program	20.521	New Freedom (57.0012)	6,681	-	6,681
	20.521	New Freedom (57.0017)	59,615	-	59,615
			<u>125,994</u>	<u>-</u>	<u>125,994</u>
US DEPARTMENT OF HOMELAND SECURITY					
Staffing for Adequate Fire and Emergency Response (SAFER) FY2008	97.044	EMW-2008-FF-01043	14,941	-	14,941
Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS0213HSLR022	108,430	-	108,430
			<u>123,371</u>	<u>-</u>	<u>123,371</u>
Federal Emergency Management Agency					
Site Restoration	97.036	CFGJS09	59,225	19,719	78,944
			<u>59,225</u>	<u>19,719</u>	<u>78,944</u>
US DEPARTMENT OF AGRICULTURE					
Pass through NC Forest Service Urban and Community Forestry Grant Program					
Tree Inventory	10.664	G40100273414FOR	13,710	-	13,710
			<u>13,710</u>	<u>-</u>	<u>13,710</u>
US ENVIRONMENTAL PROTECTION AGENCY					
Pass through NC Department of Environmental and Natural Resources					
Capitalization Grants for Drinking Water State Revolving Funds					
2012 WTF Clearwell and Chemical Feed Improvements State Revolving Loan	66.468	2006A-701	297,988	-	297,988
Planning and Design for P.O. Hoffer WTP Rehabilitation State Revolving Loan	66.468	CS370434-11	3,821,775	-	3,821,775
			<u>4,119,763</u>	<u>-</u>	<u>4,119,763</u>
Capitalization Grants for Clean Water State Revolving Funds					
2013 Outfall Rehabilitation State Revolving Loan Capital Project Fund	66.458	CS370434-12	2,010,703	-	2,010,703
Person St Sanitary Sewer Replacement State Revolving Loan Capital Project Fund	66.458	CS370434-13	247,765	-	247,765
			<u>2,258,468</u>	<u>-</u>	<u>2,258,468</u>
STATE GRANTS:					
NC DEPARTMENT OF TRANSPORTATION					
Public Transportation Division					
Maintenance Assistance	N/A		-	716,474	716,474
Capital Investment Grants		NC.04.0033	-	15,479	15,479
Capital Grants		NC 90.0464	-	741	741
		NC 90.0469	-	47,187	47,187
		NC 90.0514	-	75,471	75,471
Planning		NC.90.2453	-	840	840
		NC.90.2464	-	2,708	2,708
		NC 90.2469	-	6,372	6,372
		NC 90.2514	-	6,102	6,102
			<u>-</u>	<u>871,374</u>	<u>871,374</u>
Powell Bill	N/A		-	5,347,950	5,347,950
Bicycle & Pedestrian Transportation Division					
Cape Fear River Trail, Phase 2	N/A	E-4539 B	-	42,046	42,046
			<u>-</u>	<u>42,046</u>	<u>42,046</u>

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2014

GRANTOR/PASS-THROUGH Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Total Expenditures
<u>NC DEPARTMENT OF PUBLIC SAFETY</u>					
Hazmat (RRT Grant)	N/A	RRT 3 2012	\$ -	\$ 56,981	\$ 56,981
			-	56,981	56,981
Pass through from Cumberland County					
Juvenile Restitution FYE 2014		526-XXXX	-	93,628	93,628
			-	93,628	93,628
<u>NC DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES</u>					
Away from Home Recycling Education Grant	N/A	Grant Contract No 5541	-	5,892	5,892
			-	5,892	5,892
<u>NC VETERANS AFFAIRS DIVISION</u>					
NC Veterans Parks Phase #2	N/A	NCGA Senate Bill 1611*	-	597,888	597,888
NC Veterans Parks	N/A	1301-536980-17717711	-	8,335	8,335
			-	606,223	606,223
			\$ 15,372,019	\$ 7,043,813	\$ 22,415,832

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS:

1. The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of the City of Fayetteville and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
2. The total local match requirements for the Federal and State Transit operating assistance grants was \$681,857. The actual local match which the City of Fayetteville expended for the operations of the transit system was \$681,857.
3. The total local contributions for the State Powell Bill assistance amounted to \$119,341 (*this represents assessments received and interest earned through 06/30/14*).
4. The amount of HOME Investment Partnerships provided to CHDO's is \$198,225 as of June 30, 2014.
5. Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2014. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within the transportation fund. The total unexpended balance on-hand at June 30, 2014 is \$162,574.

Passenger Facility Charge Compliance Section

- Report of Independent Auditor on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with the Passenger Facility Charge Program Audit Guide
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Schedule of Expenditures of Passenger Facility Charges

**Report of Independent Auditor on Compliance
with Requirements Applicable to the Passenger Facility Charge Program
and on Internal Control Over Compliance in Accordance with the
Passenger Facility Charge Program Audit Guide**

The Honorable Mayor
and Members of the City Council
City of Fayetteville, North Carolina

Report on Compliance for the Passenger Facility Charge Program

We have audited the City of Fayetteville, North Carolina, (“the City”) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for the City’s passenger facility charge program for the year ended June 30, 2014.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the City’s passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Passenger Facility Charge Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the passenger facility charge program. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the passenger facility charge program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

Report on Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Passenger Facility Charge Program Audit Guide. Accordingly, this report is not suitable for any other purpose.



Fayetteville, North Carolina
November 6, 2014

CITY OF FAYETTEVILLE, NORTH CAROLINA

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

None reportable.

CITY OF FAYETTEVILLE, NORTH CAROLINA
Schedule of Expenditures of Passenger Facility Charges
Year Ended June 30, 2014

Project	Impose Effective Date	Use Effective Date	Cumulative Expenditures Actual	Approved Expenditures for PFC's	Amount of Use Approval	PFC Revenue Used in Prior Years	PFC Revenue Used in Current Year	Total PFC Revenues Used
CLOSED APPLICATION 1 (00-01-C-04-FAY & 02-02-U-02-FAY)			\$ 22,054,891	\$ 20,989,214	\$ 1,061,391	\$ 1,061,391	\$ -	\$ 1,061,391
CLOSED APPLICATION 2 (#05-03-C-01-FAY)			\$ 4,470,310	\$ 8,497,491	\$ 614,686	\$ 324,231	\$ -	\$ 324,231
APPLICATION 3 (#09-04-C-00-FAY)								
AIP 26 - Terminal Phase II	7/1/2009	7/1/2009	\$ 2,050,851	\$ 1,674,340	\$ 83,717	\$ 83,717	\$ -	\$ 83,717
Employee Parking (non revenue)	7/1/2009	7/1/2009	33,645	60,000	60,000	33,645	-	33,645
West GA Ramp Rehabilitation	7/1/2009	7/1/2009	751,059	615,000	61,500	61,500	-	61,500
AIP 28 - Land Acquisition	7/1/2009	7/1/2009	1,605,424	60,823	60,823	60,823	-	60,823
Handicap Access to Narrow Body Jets	7/1/2009	7/1/2009	33,475	35,818	35,818	33,475	-	33,475
AIP 31 - Fire Training Facility Rehab.	7/1/2009	7/1/2009	757,990	1,186,740	59,337	37,900	-	37,900
AIP 32 - Runway 4/22 Rehab. Design	7/1/2009	7/1/2009	-	293,340	14,667	-	-	-
AIP 32 - ARFF Rehab. Design	7/1/2009	7/1/2009	-	136,260	6,813	-	-	-
AIP 32 - Snow Removal Equip Bldg Design and Construction	7/1/2009	7/1/2009	205,650	165,400	8,270	8,270	-	8,270
AIP 32 - Elec Vault Upgrades Design and Generator Install	7/1/2009	7/1/2009	-	113,920	5,696	-	-	-
State Grant Stormwater Improvement	7/1/2009	7/1/2009	227,920	330,000	33,000	22,792	-	22,792
ARFF Rehab (2/3 of amount allowed per FAA) (AIP35-36)	7/1/2009	7/1/2009	1,542,158	1,340,000	67,000	67,000	-	67,000
Vault Construction (AIP 33) (Airfield Lights)	7/1/2009	7/1/2009	2,090,066	5,003,800	250,190	104,503	-	104,503
Runway 4/22 Construction (AIP 34)	7/1/2009	7/1/2009	6,472,132	7,171,540	358,577	323,606	-	323,606
State Grant Security Fence Gates	7/1/2009	7/1/2009	53,456	200,000	20,000	5,346	-	5,346
Replace ARFF Truck	7/1/2009	7/1/2009	695,261	700,000	700,000	695,261	-	695,261
Air Carrier Asphalt Rehab Apron Design	7/1/2009	7/1/2009	70,000	70,000	3,500	3,500	-	3,500
Taxiway A Design, Shoulder, Overlay, Lights	7/1/2009	7/1/2009	195,000	195,000	9,750	9,750	-	9,750
Extend Taxiway A Design	7/1/2009	7/1/2009	-	85,000	4,250	-	-	-
Construction Taxiway A Shoulders, Overlay, Lights	7/1/2009	7/1/2009	3,000,000	3,000,000	150,000	150,000	-	150,000
TOTAL IMPOSE AND USE APPLICATION 3			\$ 19,784,087	\$ 22,436,981	\$ 1,992,908	\$ 1,701,088	\$ -	\$ 1,701,088
APPLICATION (#12-05-C-00-FAY)								
Replace B4 Jet Bridge 100%	3/1/2013	3/1/2013	\$ 470,334	\$ 485,577	\$ 485,577	\$ 470,334	\$ -	\$ 470,334
Taxiway A Rehab - Design 5%	3/1/2013	3/1/2013	572,819	771,720	\$ 38,586	\$ 28,641	-	\$ 28,641
Construct Taxiway A Rehab 5%	3/1/2013	3/1/2013	2,367,669	5,206,060	\$ 260,303	\$ 118,383	-	\$ 118,383
Rehab Air Carrier Apron Phase II - Design 5%	3/1/2013	3/1/2013	201,600	271,600	\$ 13,580	\$ 10,080	-	\$ 10,080
Air Carrier Apron Rehab Phase I Construction 5%	3/1/2013	3/1/2013	4,417,383	4,500,000	\$ 225,000	\$ 212,567	\$ 8,302	\$ 220,869
Runway 4 RSA Improvements - Design 5%	3/1/2013	3/1/2013	111,983	125,000	\$ 6,250	\$ 5,904	(305)	\$ 5,599
Taxiway A Extension - Design 5%	3/1/2013	3/1/2013	252,459	375,000	\$ 18,750	\$ 13,536	(913)	\$ 12,623
Runway 4 RSA Improvements - Construction 10%	3/1/2013	3/1/2013	916,550	1,109,592	\$ 110,959	\$ 76,558	\$ 15,097	\$ 91,655
Taxiway a Extension Construction 10%	3/1/2013	3/1/2013	2,749,650	3,177,397	\$ 317,740	\$ 229,674	\$ 45,291	\$ 274,965
Paved Shoulders - Design and Bidding 10%	3/1/2013	3/1/2013	168,200	168,200	\$ 16,820	\$ 15,474	\$ 1,346	\$ 16,820
FAA Reimbursable Agreement MALSR Modification 10%	3/1/2013	3/1/2013	71,779	71,779	\$ 7,179	\$ 7,179	-	\$ 7,179
Design and Construct Wildlife/Security Fencing 5%	3/1/2013	3/1/2013	-	1,500,000	\$ 75,000	-	-	-
TOTAL IMPOSE AND USE APPLICATION 5			\$ 12,300,426	\$ 17,761,925	\$ 1,575,744	\$ 1,188,330	\$ 68,818	\$ 1,257,148
GRAND TOTAL			\$ 58,609,714	\$ 69,685,611	\$ 5,244,729	\$ 4,275,040	\$ 68,818	\$ 4,343,858

NOTES TO THE SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES:

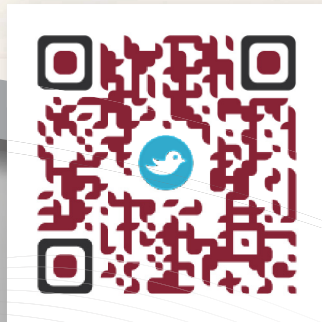
1. The accompanying schedule of expenditures of passenger facility charges is presented on the full accrual basis of accounting.

Office of the City Manager

City of Fayetteville
433 Hay Street
Fayetteville, NC 28301
(910) 433-1990

Office of the Chief Financial Officer

City of Fayetteville
433 Hay Street
Fayetteville, NC 28301
(910) 433-1682



City of
Fayetteville
North Carolina

www.cityoffayetteville.org

www.faytv7.com

www.fayettevilleoutfront.com

The City of Fayetteville, North Carolina does not discriminate on the basis of race, sex, color, age, national origin, religion, or disability in its employment opportunities, programs, services or activities.